PROVINCE OF MANITOBA

This description of Province of Manitoba is dated as of October 26, 2000 and appears as Exhibit (1) to the Province of Manitoba's Annual Report on Form 18-K to the U.S. Securities and Exchange Commission for the fiscal year ended March 31, 2000.

This document (otherwise than as part of a prospectus contained in a registration statement filed under the Securities Act of 1933) does not constitute an offer to sell or the solicitation of an offer to buy any Securities of the Province. The delivery of this document at any time does not imply that the information herein is correct as of any time subsequent to its date.

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FURTHER INFORMATION

This document appears as an exhibit to Manitoba's Annual Report to the U.S. Securities and Exchange Commission on Form 18-K for the fiscal year ended March 31, 2000. Additional information with respect to Manitoba is available in such Annual Report, in the other exhibits to such Annual Report and in amendments thereto. Such Annual Report, exhibits and amendments can be inspected and copied at the public reference facilities maintained by the Commission at: Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549; 500 West Madison Street, Chicago, Illinois 60661; and 7 World Trade Center, 13th Floor, New York, New York 10048. Copies of such documents may also be obtained at prescribed rates from the Public Reference Section of the Commission at its Washington address or, without charge, from Province of Manitoba, Department of Finance, Treasury Division, Room 4, Legislative Building, Winnipeg, Manitoba R3C 0V8, Canada.

In this document, unless otherwise specified or the context otherwise requires, all dollar amounts are expressed in Canadian dollars ("$" or "C$") and all references to "dollars" are to Canadian dollars. See "Canadian Foreign Exchange" for information regarding the rates of conversion of U.S. dollars and other foreign currencies into Canadian dollars.

At October 25, 2000, the noon spot exchange rate for U.S. dollars as reported by Bank of Canada, expressed in Canadian dollars, was $1.5154.

Totals in the statistical tables set forth in this document may not add due to rounding.

SUMMARY

The following information is qualified in its entirety by the more detailed information in this document.

PROVINCE OF MANITOBA

Economy	Year Ended December 31,					Compound Annual Growth Rate
	1995	1996	1997	1998	1999	1995-1999
		(In millions of dollars unless otherwise indicated)				
Nominal Gross Domestic Product	$26,978	$28,270	$29,323	$30,061	$31,212	3.7%
Change in Real Gross Domestic Product						
Manitoba	0.9%	2.1%	4.0%	3.3%	2.2%	—
Canada	2.8	1.5	4.4	3.3	4.5	—
Manufacturing Shipments	$8,334	$8,972	$9,999	$10,613	$10,340	5.5
Farm Cash Receipts	2,523	2,816	3,073	2,960	2,946	4.0
Capital Investment	3,814	3,978	4,882	4,991	5,149	7.8
Personal Income	23,463	24,321	24,776	25,891	26,801	3.4
Population at July 1 (in thousands)	1,130	1,134	1,137	1,138	1,143	0.3
Average Unemployment Rate	7.2%	7.2%	6.5%	5.5%	5.6%	—
Change in Consumer Price Index (Manitoba)	2.7	2.2	2.2	1.3	2.0	—
Average Exchange Rate (C$ per U.S.$)	1.3726	1.3636	1.3844	1.4831	1.4858	—

Government Finances — Operating Fund	Year Ending March 31,				
	1997	1998	1999	2000	Budget Estimate 2001
	(In millions of dollars)				
Revenue	$5,499.0	$5,841.9 (1)	$6,067.7 (1)	$6,522.5 (1)	$6,504.3 (1)
Expenditure	5,407.9	5,765.7 (1)	6,036.6 (1)	6,511.7 (1)	6,494.5 (1)
Budgetary (Deficit)/Surplus	91.1	76.2	31.1	10.8	9.8
Extraordinary Items	264.6	—	—	—	—
(Deficit)/Surplus after Extraordinary Items	$355.7	$76.2	$31.1	$10.8	$9.8

Net Direct Funded and Guaranteed Debt	As of March 31,				
	1996	1997	1998	1999	2000
	(In millions of dollars)				
Consisting of					
Net Direct Funded Debt	$13,162	$12,537	$12,527	$12,797	$13,218
Net Provincial Guaranteed Debt	722	1,014	791	601	241
	$13,884	$13,551	$13,318	$13,398	$13,459
Issued for					
General Government Programs	$6,814	$6,808	$6,763	$6,774	$6,718
Self-Sustaining Purposes	7,070	6,743	6,555	6,624	6,741
	$13,884	$13,551	$13,318	$13,398	$13,459
General Government Programs Debt as a Percentage of Nominal Gross Domestic Product	25.3%	24.1%	23.1%	22.5%	21.5%

(1) Includes transfers from Fiscal Stabilization Fund and to the Debt Retirement Fund. See "Government Finances — The Balanced Budget, Debt Repayment and Taxpayer Accountability Act."

Metallic Mines
Oil producing areas
Hydro Generating Stations
Agricultural zone
Forest zone
Transitional and Tundra zone
Trout
Callinan
FLIN FLON
Grand Rapids
LAKE WINNIPEG
20 0 20 40 60 80 100
Kilometers

PROVINCE OF MANITOBA

General Information

The Province of Manitoba is located in the center of Canada, north of the States of Minnesota and North Dakota. It is the most easterly of the three Provinces of Manitoba, Saskatchewan and Alberta, which together constitute the Prairie Region of Canada. Manitoba is bounded on the east by the Province of Ontario, on the north by Hudson Bay and the Territory of Nunavut, and on the west by the Province of Saskatchewan. The Province has 400 miles of northern coastline bordering on Hudson Bay. The only seaport in the Prairie Region is located at Churchill on Hudson Bay.

Of Manitoba's total area of 251,000 square miles, 39,000 square miles are lakes and rivers and 163,000 square miles are lands owned by the Province. Cultivated land comprises 30,000 square miles in the southern part of the Province. The northern part of the Province, which is part of the Canadian Shield, is composed largely of timberlands and extensive areas of mineralized rock structure.

The estimated population of Manitoba on July 1, 2000 was 1,147,900, of whom approximately 680,000 lived in Winnipeg, the capital of the Province. Winnipeg has a diversified economic base with significant activity in a variety of manufacturing and service sectors. The city is also a major rail, truck and air transportation hub by virtue of its geographical position in the center of the continent.

The second largest city in the Province is Brandon, with a population of approximately 40,000. Brandon, in western Manitoba, is a major supply center for the agriculture industry, as well as an agriculture-related manufacturing center.

Constitutional Framework

Canada consists of a federation of provinces and Federal territories. A constitutional division of powers between the Federal and provincial governments was established by the *British North America Act, 1867*, an Act of the Parliament of the United Kingdom. By later enactments, including the *Constitution Act, 1982*, the power to amend the Constitution of Canada (the "Constitution") was transferred to Canada.

Under the Constitution, the Provinces are assigned jurisdiction over health care, education, municipal institutions, property and civil rights, natural resources and other matters of purely provincial or local concern. Each Province has exclusive jurisdiction over the borrowing of money on the sole credit of that Province. The Parliament of Canada has jurisdiction over all areas not assigned exclusively to the provincial legislatures, including such matters as aboriginal persons, the federal public debt and property, the regulation of trade and commerce, currency and coinage, banks and banking, national defense, foreign affairs, postal services, interprovincial transportation and communications undertakings.

Various Constitutional issues have been under discussion in Canada for a number of years. On August 20, 1998, in response to a reference from the Federal Government, the Supreme Court of Canada ruled that under the Constitution of Canada and international law, Quebec may not secede unilaterally from Canada, but that if the people of Quebec voted to secede by a clear majority vote on a clear question, the other Provinces and the Federal Government would be obliged to enter negotiations with Quebec with respect to secession, such negotiations to be guided by constitutional principles, including federalism, democracy, constitutionalism and the rule of law, and the protection of minorities.

Provincial Government

The Provincial Government has general responsibility for the administration of all governmental activities and functions within Manitoba other than those which are under the jurisdiction of the Federal Government. It carries out certain of these responsibilities through Provincial agencies, boards, commissions and Crown organizations. Certain other responsibilities

have been delegated to municipalities and semi-autonomous bodies such as school boards and regional health authorities.

The executive power in the Province of Manitoba is vested in the Lieutenant Governor acting on the advice of the Executive Council, which is responsible to the Legislative Assembly. The Lieutenant Governor is appointed by the Governor General of Canada in Council.

The Executive Council, which includes the Premier and Ministers of Departments of the Provincial Government, is appointed by the Lieutenant Governor usually on the nomination of the leader of the party with the largest number of members in the Legislative Assembly. All members of the Executive Council are usually members of the Legislative Assembly.

The Legislative Assembly has 57 members who are elected for a term of five years subject to earlier dissolution of the Assembly by the Lieutenant Governor, usually on the recommendation of the Executive Council. In the latest general election of members of the Legislative Assembly, held on September 21, 1999, the New Democratic Party was elected to a majority of seats.

The following table sets forth the results of the three most recent elections of the Province.

	1990	1995	1999
New Democrat	20	23	32
Progressive Conservative	30	31	24
Liberal	7	3	1
Total	57	57	57

ECONOMY

General

Manitoba has a diversified economy. Its major industries are manufacturing, construction, utilities, agriculture, mining, wholesale and retail trade, transportation and communication. The largest components of manufacturing are food processing, transportation equipment, machinery, printing, publishing and allied industries, and fabricated metals. Agricultural production is diversified between crops and livestock. In transportation, Manitoba is a major center for truck, rail and air transport, and there is a deep-sea port at Churchill on Hudson Bay. The Province exports a large portion of its production.

The following table sets forth growth rates in 1999 for key economic indicators and selected sectors of the economy for Manitoba and Canada, as well as the unemployment rate for 1999.

	Manitoba	Canada
Gross Domestic Product	3.8%	6.2%
Real Gross Domestic Product	2.2	4.5
Capital Investment	3.2	4.3
Foreign Merchandise Exports	−1.1	11.1
Manufacturing Shipments	−2.6	9.3
Farm Cash Receipts	−0.5	2.3
Value of Mineral Production	−7.7	20.6
Retail Sales	2.9	5.7
Housing Starts	7.5	9.1
Consumer Price Index	2.0	1.8
Employment	1.3	2.8
Average Unemployment Rate	5.6	7.6

Year-to-date data for 2000 indicate that farm cash receipts, utilities sales, retail sales and manufacturing shipments are increasing. Housing starts have declined due to a decline in multiple unit construction. According to the July 2000 Statistics Canada survey of investment intentions, capital investment is expected to decrease by 1.0% to $5.1 billion as public investment declines 8.7% and private investment increases 1.2%.

The following table sets forth selected indicators of economic activity and the compound annual growth rates for the Province and Canada for the years 1995 through 1999. In this table and throughout this document, compound annual growth rates are calculated by distributing the aggregate amount of growth during the period on the basis of a constant annual rate of growth compounded annually.

SELECTED ECONOMIC INDICATORS

	Year Ended December 31,					Compound Annual Growth Rate
	1995	1996	1997	1998	1999	1995-1999
	(In millions of dollars unless otherwise indicated)					
Nominal Gross Domestic Product (1)						
Manitoba	$26,978	$28,270	$29,323	$30,061	$31,212	3.7%
Canada	807,088	833,070	877,921	901,805	957,911	4.4
Real Gross Domestic Product (2)						
Manitoba	25,535	26,073	27,119	28,008	28,616	2.9
Change	0.9%	2.1%	4.0%	3.3%	2.2%	—
Canada	$769,082	$780,916	$815,013	$842,002	$880,254	3.4
Change	2.8%	1.5%	4.4%	3.3%	4.5%	—
Personal Income	$23,463	$24,321	$24,776	$25,891	$26,801	3.4
Personal Income Per Capita (in Dollars)	20,764	21,447	21,791	22,751	23,448	3.1
Retail Sales	7,432	7,920	8,589	8,772	9,023	5.0
Capital Investment	3,814	3,978	4,882	4,991	5,149	7.8
Housing Starts (Units)	1,963	2,318	2,612	2,895	3,113	12.2
Change in Consumer Price Index						
Manitoba	2.7%	2.2%	2.2%	1.3%	2.0%	—
Canada	2.2	1.6	1.6	0.9	1.8	—
Population (July 1) (in thousands)						
Manitoba	1,130	1,134	1,137	1,138	1,143	0.3
Canada	29,354	29,672	29,987	30,248	30,493	1.0
Employment (in thousands)	519.0	518.6	525.6	535.7	542.7	1.1
Average Unemployment Rate	7.2%	7.2%	6.5%	5.5%	5.6%	—
Average exchange rate (C$ per U.S.$)	1.3726	1.3636	1.3844	1.4831	1.4858	—

(1) At market prices.

(2) Expressed in 1992 dollars.

Sources: Statistics Canada, Manitoba Bureau of Statistics and Manitoba Department of Finance.

Economic Structure

The Province has a diversified economy. In 1999, goods producing industries accounted for 29.5% of real gross domestic product at factor cost. Agriculture accounted for 3.5% of real gross domestic product at factor cost, mining, forestry and utility industries for 6.6%, manufacturing for 13.8% and construction for 5.6%. The commercial service sector accounted for 48.9% of real gross domestic product at factor cost, and the non-commercial service sector for 21.5%.

The following table sets forth the Real Gross Domestic Product by industry at factor cost and the compound annual growth rates for the years 1995 through 1999.

REAL GROSS DOMESTIC PRODUCT AT FACTOR COST BY INDUSTRY (1)

	Year Ended December 31,					Compound Annual Growth Rate
	1995	1996	1997	1998	1999	1995-1999
	(In millions of 1992 dollars)					
Goods Producing Industries						
Manufacturing	$2,791	$2,904	$3,199	$3,395	$3,437	5.3%
Construction	1,152	1,201	1,298	1,385	1,397	4.9
Utilities	1,023	1,055	1,086	1,067	1,048	0.6
Agriculture (2)	723	891	860	912	882	5.1
Mining	504	501	566	601	542	1.8
Forestry	50	46	47	49	50	0.0
Total Goods Producing Industries	6,244	6,598	7,056	7,409	7,355	4.2
Service Producing Industries						
Commercial Services						
Real Estate	2,703	2,704	2,727	2,773	2,833	1.2
Transportation and Storage	1,457	1,453	1,489	1,474	1,553	1.6
Wholesale Trade	1,222	1,262	1,376	1,450	1,492	5.1
Retail Trade	1,224	1,257	1,319	1,368	1,419	3.8
Communication	973	1,003	1,045	1,097	1,137	4.0
Business Services	778	816	888	949	997	6.4
Finance and Insurance	846	856	901	917	962	3.3
Accommodation, Food and Beverage	560	580	591	610	651	3.8
Other Services	982	1,002	1,020	1,076	1,141	3.8
Total Commercial Services	10,745	10,933	11,356	11,714	12,185	3.2
Non-Commercial Services						
Hospitals and Welfare	2,033	2,066	2,114	2,162	2,237	2.4
Education	1,422	1,407	1,434	1,447	1,476	0.9
Federal Administration	898	844	804	806	818	−2.3
Provincial Administration	474	448	441	449	454	−1.1
Local Administration	374	363	363	369	380	0.4
Total Non-Commercial Services	5,201	5,128	5,156	5,233	5,365	0.8
Total Service Producing Industries	15,946	16,062	16,512	16,947	17,549	2.4
Real Gross Domestic Product (at factor cost)	$22,189	$22,660	$23,568	$24,356	$24,904	2.9

(1) Real Gross Domestic Product measures value added and therefore differs from the value of production or the value of shipments by industry. Real Gross Domestic Product at factor cost is the sum of all factor incomes from production in the Province. Real Gross Domestic Product at factor cost plus indirect taxes, minus subsidies, equals Real Gross Domestic Product at market prices. Amounts in the table are expressed in 1992 dollars.

(2) Agriculture also includes fishing, hunting and trapping.

Source: Manitoba Bureau of Statistics.

Manufacturing. Manufacturing is the largest sector of the Manitoba economy and is well diversified with the four largest industries accounting for only 55.0% of the value of total shipments in 1999.

The largest industry, food, accounts for 23.1% of total shipments, and produces a broad range of products. The next largest industries are: transportation equipment, primarily buses and aerospace equipment (17.0% of shipments); machinery, mainly agricultural implements (8.2% of shipments); and printing and publishing, mainly books, magazines and specialty printed products (6.7% of shipments). The twelve remaining categories range in size from 5.8% to 1.9% of shipments.

In 1999, machinery shipments declined 31.4% due to weaker shipments of agricultural equipment. This factor was principally responsible for the overall reduction in manufacturing shipments in 1999.

The following table sets forth the gross value of manufacturing shipments and the compound annual growth rates of the principal Manitoba manufacturing industries for the years 1995 through 1999.

GROSS VALUE OF MANUFACTURING SHIPMENTS

	Year Ended December 31,					Compound Annual Growth Rate
	1995	1996	1997	1998	1999	1995-1999
	(In millions of dollars)					
Food	$1,702.4	$1,897.6	$2,162.2	$2,287.7	$2,388.6	8.8%
Transportation Equipment	1,045.7	1,211.2	1,369.6	1,728.4	1,756.5	13.8
Machinery	1,138.5	1,170.7	1,379.5	1,232.0	844.9	−7.2
Printing, Publishing and Allied Industries	564.7	568.2	632.9	674.9	695.4	5.3
Fabricated Metals	431.5	505.0	556.2	626.7	595.6	8.4
Primary Metals	545.3	536.4	622.5	616.2	549.6	0.2
Chemicals	421.3	406.6	427.7	457.4	505.2	4.6
Wood	306.7	388.2	434.5	476.9	498.7	12.9
Clothing and Textiles	355.1	379.6	403.7	485.8	480.4	7.8
Paper and Allied Industries	453.3	396.5	364.7	396.1	391.3	−3.6
Furniture and Fixtures	249.9	296.0	319.1	352.4	361.6	9.7
Plastics	258.0	282.0	292.0	282.2	321.1	5.6
Electrical	279.2	360.8	410.9	365.9	291.3	1.1
Beverages	233.5	159.6	202.4	187.8	205.4	−3.2
Non-metallic Minerals	136.6	163.0	157.1	175.2	192.0	8.9
Other	212.6	250.3	264.2	267.8	262.4	5.4
Total	$8,334.3	$8,971.5	$9,999.0	$10,613.2	$10,340.0	5.5

Source: Statistics Canada.

In the first eight months of 2000, the value of manufacturing shipments increased 2.0% compared to the first eight months of 1999. The increase is principally due to a 13.7% increase in food shipments. Overall, ten of sixteen categories of manufacturing shipments reported increases.

Agriculture. Farm cash receipts are divided between crops and livestock and well diversified within these major sectors of production.

In 1999, farm cash receipts decreased 0.5% but was still the third highest level in history. Crop receipts decreased 13.5% due to a decline in receipts from oilseeds primarily reflecting lower prices. Receipts from vegetables increased to record levels and wheat receipts increased for the first time in three years. Livestock receipts increased 7.1% with a decline only in cattle and calves receipts.

The following table sets forth farm cash receipts and the compound annual growth rates for the years 1995 through 1999.

FARM CASH RECEIPTS

	Year Ended December 31,					Compound Annual Growth Rate
	1995	1996	1997	1998	1999	1995-1999
	(In millions of dollars)					
Crops						
Wheat	$599.3	$675.8	$662.8	$477.0	$502.8	−4.3%
Oilseeds	462.9	485.6	607.4	715.7	390.3	−3.6
Vegetables	120.0	143.6	145.8	157.7	178.2	10.4
Specialty and Forage	116.9	116.3	110.4	135.1	142.1	5.0
Other Grains	120.5	190.0	175.7	121.4	108.3	−2.6
Other Crops	20.3	26.5	19.2	34.6	89.5	44.9
Total Crops	1,439.9	1,638.0	1,721.2	1,641.5	1,420.2	−0.3
Livestock						
Hogs	323.0	448.5	468.6	396.4	481.7	10.5
Cattle and Calves	314.4	311.5	373.8	455.8	448.7	9.3
Dairy	128.7	132.4	140.4	145.9	152.3	4.3
Poultry and Eggs	110.8	125.2	121.5	123.7	125.2	3.1
Other Livestock	86.2	103.9	105.9	105.4	106.7	5.5
Total Livestock	963.0	1,121.5	1,210.2	1,226.9	1,314.5	8.1
Direct Payments	120.1	56.2	142.0	92.1	211.7	15.2
Total	$2,523.1	$2,815.7	$3,073.4	$2,960.5	$2,946.5	4.0
Net Cash Income (1)	$432.6	$559.9	$753.9	$616.9	$610.7	9.0

(1) Represents farm cash receipts less operating expenses.

Source: Statistics Canada.

In the first six months of 2000, cash receipts increased 7.0% over the same period in 1999. Crop cash receipts decreased 19.8%, primarily due to lower prices, with the declines occurring across all the major crop categories. Livestock cash receipts increased 23.9% with hogs, cattle and calves and poultry and eggs increasing substantially. Direct Payments increased $114 million or 286.5%.

In 1999, Direct Payments include payments under the temporary disaster income assistance programs for farm producers implemented by the provincial and Federal governments in respect of spring flooding in the southwest area of the Province. This flooding prevented or delayed crop seeding in that region. These payments are estimated at $112.5 million.

In 1995, subsidies for grain transportation under the *Western Grain Transportation Act* were eliminated. This has increased the cost to the farmer of shipping grain produced in the Province but is also resulting in changes in Manitoba agriculture such as a different mix of production and more value added locally. In connection with the termination of the subsidies, Manitoba agricultural land owners received approximately $250 million in one-time compensation payments

in 1996 and 1997. These one-time payments are not included in farm cash receipts. In 1997, there were additional one-time compensation payments to farmers who rent land of approximately $59 million, which are included in cash receipts.

Minerals. The principal metals produced in Manitoba are nickel, zinc, copper, and gold. Other metals include cobalt, platinum and silver. Industrial minerals produced consist principally of sand and gravel, peat moss, stone, and lime.

The two companies with the largest mining operations in Manitoba, accounting for approximately 60% of all mineral production, are Inco Limited, which produces mainly nickel, copper and cobalt, and Hudson Bay Mining and Smelting Co., Limited, which produces mainly copper and zinc.

In 1999, the total value of mineral production in Manitoba decreased 7.7% to $893 million. The value of metal production decreased 11.7% in 1999 as a result of lower production volumes of nickel, due largely to a three month labor dispute at the Province's largest nickel mine. The value of industrial mineral production decreased 3.7% while the value of petroleum production increased 31.9%, reflecting higher prices.

The following table sets forth the gross value of mineral production and the compound annual growth rates for the years 1995 through 1999.

GROSS VALUE OF MINERAL PRODUCTION

	Year Ended December 31,					Compound Annual Growth Rate
	1995	1996	1997	1998	1999	1995-1999
	(In millions of dollars)					
Metals						
Nickel	$451.5	$374.4	$442.0	$341.7	$271.4	−11.9%
Zinc	111.0	118.6	148.5	142.4	140.9	6.1
Copper	170.5	169.5	165.3	121.8	122.1	−8.0
Gold	59.0	102.3	120.6	118.1	110.9	17.1
Other Metals	65.8	60.6	64.5	84.4	68.3	0.9
Total Metals	857.8	825.4	940.9	808.4	713.6	−4.5
Petroleum	90.7	107.4	105.1	73.9	97.5	1.8
Industrial Minerals	73.5	69.2	79.6	84.7	81.6	2.6
Total	$1,022.0	$1,001.9	$1,125.7	$967.1	$892.7	−3.3

Sources: Statistics Canada and Manitoba Department of Energy and Mines.

Services. The service sector comprises a wide range of activities including transportation, finance, trade, tourism and personal services. From 1995 through 1999, commercial service industries accounted for 48.1% of average total employment in Manitoba, and non-commercial (primarily publicly funded) services accounted for 25.2%.

Winnipeg is an air, rail and trucking hub, connected to Canadian and international markets. Both of Canada's national railways pass through Winnipeg where they have large operations. Several of Canada's largest trucking firms are headquartered in Manitoba. Because Winnipeg International Airport is one of the few that does not have night-time landing restrictions, and is centrally located in North America, it is a major hub for courier services.

Commodity trading and financial services are important components of Winnipeg's economy. In particular, the city is the center of Canada's grain trade. The Canadian Wheat Board is located in Winnipeg. The Winnipeg Commodity Exchange is the only commodity exchange, and the second largest futures exchange, in Canada. Nine grain companies have their head office or Canadian head office in Winnipeg. Winnipeg is also the headquarters of Canada's largest mutual fund company, Investors Group and largest life insurance company, Great-West Life.

Manitoba's central location, low-cost office space and multilingual labor force have contributed to the rapid expansion of call centers (telemarketing and customer service centers) in the Province. Data processing and engineering are important extra-provincial export-oriented industries. Winnipeg is the headquarters for Canwest Global, one of the largest media companies in Canada.

Winnipeg serves as a regional shopping center for all of southern Manitoba. In 1999, retail sales in Manitoba increased 2.9% to $9.0 billion. In the first eight months of 2000, retail sales increased 5.1% compared to the same period of 1999.

The Province has a well-developed tourism industry. As a result of Manitoba's central location, the Province attracts national and international convention activity. Winnipeg serves as a regional entertainment center for portions of North Dakota, Minnesota and northwestern Ontario. Manitoba has an excellent resource base for outdoor recreational activities and has many public and private tourism facilities. In 1999, estimated tourism expenditures by both residents of Manitoba and visitors increased by 1.1% to $981 million. In the summer of 1999, Winnipeg hosted the Pan Am Games.

Merchandise Exports

In 1999, total merchandise exports amounted to $18.6 billion, an increase of 1.3% compared to 1998, and were equal to 59.7% of GDP at market prices. Foreign countries accounted for 48.9% of merchandise exports and other Canadian provinces and territories accounted for the balance. In 1999, of the total foreign merchandise exports, 81.2% were to the United States, 10.6% to Asia and 3.6% to Europe.

Over the five years 1995 to 1999, exports to the United States increased by 63.9% (representing a compound annual growth rate of 13.1%) and exports to all other countries decreased by 0.1% (representing a compound annual growth rate of 0.0%). International trade agreements and changes in currency exchange rates have had a positive impact on exports over this period. However, in 1999 the value of exports to countries other than the United States were depressed due to a significantly lower value of shipments of agricultural products, principally oilseeds and related products.

The following table sets forth foreign exports by commodity and the compound annual growth rates for the years 1995 through 1999.

FOREIGN EXPORTS BY COMMODITY (1)

	Year Ended December 31,					Compound Annual Growth Rate
	1995	1996	1997	1998	1999	1995-1998
	(In millions of dollars)					
Base Metals and Minerals	$483.8	$453.2	$643.0	$810.7	$703.7	9.8%
Oilseeds and Products	593.0	622.0	674.7	1,135.2	696.2	4.1
Motor Vehicles	369.5	373.4	401.1	505.9	613.0	13.5
Grains and Products	675.5	907.8	1,061.3	634.4	598.5	−3.0
Aerospace	146.0	197.8	285.8	453.6	487.0	35.1
Machinery	237.7	338.3	379.5	424.8	387.7	13.0
Hogs	143.5	225.3	307.3	333.8	382.2	27.7
Wood Products	138.2	135.1	182.8	239.6	360.5	27.1
Electrical Energy	279.9	284.8	309.8	356.2	343.0	5.2
Pulp, Paper and Printing	309.6	281.4	303.4	329.1	342.8	2.6
Vegetables	118.2	146.5	216.6	252.8	278.7	23.9
Furniture and Fixtures	121.7	163.5	206.8	228.9	257.2	20.6
Other Agricultural Products	191.7	206.9	224.9	246.0	243.2	6.1
Plastic and Rubber	95.4	111.2	139.2	185.9	215.7	22.6
Agricultural Implements	451.4	419.1	534.3	442.9	200.6	−18.4
Electrical Machinery	119.6	143.3	166.7	184.1	195.7	13.1
Chemicals	59.7	86.9	99.9	166.2	188.0	33.2
Cattle and Calves	147.9	189.7	226.1	242.2	180.7	5.1
Clothing and Textiles	108.5	120.7	148.7	163.6	177.5	13.1
Pharmaceuticals	9.8	33.3	29.2	55.1	148.3	97.2
Minerals and Oil Products	30.5	33.2	63.8	64.4	72.1	24.0
Other Transportation Equipment	54.9	45.0	60.9	79.9	104.8	17.5
Oil Trans Shipment	419.5	554.3	492.1	342.6	550.9	7.0
Other	150.0	147.0	156.0	188.9	253.5	14.0
Total	$5,455.5	$6,219.6	$7,313.9	$8,067.0	$7,981.4	10.0

(1) Most export data, except for some principal grains, are based on port-of-exit information; consequently, data for many categories do not reflect the true value of provincial foreign exports. The above data for 1999 include two items that do not truly reflect Manitoba exports. The value of nickel is $145.8 million. This does not include an estimated $98.4 million of nickel which was exported through Ontario in that year. Oil Trans Shipment represents crude oil production that originated in Alberta and Saskatchewan and was shipped through the Province.

Source: Statistics Canada.

Total foreign exports for the first six months of 2000 were up 5.7% compared to the first six months of 1999. On a year-to-date basis, exports to the United States have increased by 2.6% while exports to other countries have decreased by 19.4%.

Capital Investment

In 1999, capital investment increased 3.2%. Capital investment grew in the health care, retail trade, public administration and housing sectors. Decreases occurred in other services, education, minerals, wholesale trade, manufacturing, construction and finance and insurance. The Statistics Canada survey of investment intentions published in July 2000 indicates that capital investment in 2000 is expected to decrease by 1.0%. Private capital is expected to increase 1.2%, while public investment will decline 8.7%. Significant increases are expected to occur in minerals, education, health, finance and insurance and manufacturing. Decreases are expected to occur in transportation, other services, professional and scientific, retail sales, utilities, public administration, information and culture, construction and agriculture.

The following table sets forth categories of capital investment and the compound annual growth rates for the years 1995 through 1999.

CAPITAL INVESTMENT

	Year Ended December 31,					Compound Annual Growth Rate
	1995	1996	1997	1998	1999	1995-1999
	(In millions of dollars)					
Housing	$719.5	$731.8	$818.7	$888.9	$997.9	8.5%
Transportation and Storage	253.1	452.8	518.1	671.3	693.4	28.7
Manufacturing	436.4	497.9	655.8	565.1	549.7	5.9
Public Administration	517.8	412.0	380.0	395.9	450.7	−3.4
Agriculture	375.3	358.4	441.2	434.8	436.8	3.9
Utilities	310.9	377.9	350.6	372.8	401.0	6.6
Information and Cultural Industries	168.8	139.0	234.5	227.8	247.8	10.1
Finance and Insurance	135.3	112.4	234.7	235.8	234.9	14.8
Retail Trade	112.0	111.4	129.0	143.3	177.9	12.3
Real Estate	68.6	75.0	91.0	139.6	145.7	20.7
Wholesale Trade	111.3	90.3	140.0	144.1	139.8	5.9
Construction	96.4	104.2	108.7	135.6	132.1	8.2
Health Care	55.0	60.0	79.4	85.9	126.1	23.1
Minerals	267.8	239.5	229.7	152.4	124.4	−17.4
Professional and Scientific	26.4	45.9	127.2	98.3	99.6	39.4
Education	79.7	75.3	72.0	86.5	62.2	−6.0
Other	79.8	94.2	271.7	212.5	128.8	12.7
Total	$3,814.1	$3,978.0	$4,882.3	$4,990.6	$5,148.8	7.8
Private	$2,697.1	$2,938.9	$3,858.2	$3,960.9	$4,029.8	10.6
Public	1,117.0	1,039.1	1,024.1	1,029.7	1,119.0	0.0
Total	$3,814.1	$3,978.0	$4,882.3	$4,990.6	$5,148.8	7.8

Source: Statistics Canada.

Labor Force

In 1999, employment increased in utilities, finance, insurance and real estate, transportation, construction, wholesale and retail trade, manufacturing, education and health services, accommodation and other services and information, culture and recreation. Declines were recorded in forestry, fishing and mining, agriculture, public administration and professional and administrative services. In 1999, the average unemployment rate in Manitoba was 5.6%, the lowest in Canada and significantly lower than Canada's rate of 7.6%.

The following table sets forth selected labor force statistics for Manitoba and Canada for the years 1995 through 1999.

LABOR FORCE

	Annual Averages,				
	1995	1996	1997	1998	1999
	(In thousands unless otherwise indicated)				
Labor Force	559.0	558.9	562.0	566.8	574.8
Employment	519.0	518.6	525.6	535.7	542.7
Participation Rate	66.8%	66.5%	66.6%	67.0%	67.5%
Participation Rate (Canada)	64.9	64.7	64.9	65.1	65.6
Unemployment Rate	7.2	7.2	6.5	5.5	5.6
Unemployment Rate (Canada)	9.4	9.6	9.1	8.3	7.6

Source: Statistics Canada.

In the first nine months of 2000, seasonally adjusted employment in Manitoba increased 2.3% to 554,100 persons, compared to the same period for 1999. Employment increases were recorded in manufacturing, education and health services, utilities, accommodation and other services, information, culture and recreation, construction, public administration and professional services. Declines were recorded in agriculture, forestry, fishing and mining, wholesale and retail trade, finance, insurance and real estate and transportation services.

In the first nine months of 2000, the seasonally adjusted unemployment rate in Manitoba averaged 5.0%, down from 5.7% in the same period in 1999 and the lowest level since 1976. In the first nine months of 2000, the seasonally adjusted unemployment rate in Canada averaged 6.8%. Manitoba's seasonally adjusted labor force participation rate over the first nine months of 2000 averaged 68.0%, up from 67.5% in the same period of 1999.

Energy

Refined petroleum and natural gas provided 35% and 37%, respectively, of the Province's total energy needs in 1998, while 26% was provided by hydro-electric energy generated in the Province. See "The Manitoba Hydro-Electric Board."

GOVERNMENT FINANCES

Under the Constitution, the Province has the power to impose direct taxation within the Province in order to raise revenue for Provincial purposes. It also has exclusive jurisdiction over the borrowing of money on the sole credit of the Province.

Under the statutes of the Province, public money is deposited to the credit of the Minister of Finance and forms part of the Consolidated Fund of the Province. Money necessary to carry out the operations of the Province in each fiscal year is voted by the Legislative Assembly, with the exception of those expenditures for which provision has already been made by special legislation, such as amounts required to service the debt of the Province and to fulfill guarantees made by the Province. In addition, the Lieutenant Governor in Council may, when the Legislative Assembly is not in session, authorize expenditures that are urgently and immediately required for the public good through the issuance of special warrants.

The financial statements for the Consolidated Fund of the Province of Manitoba (which are filed as an exhibit to the Province's Annual Report on Form 18-K) reflect, in a single set of financial statements, the transactions and balances of the Operating Fund (which records the operations of the Province), the Trust Fund (which records the trust administration function) and other special funds of the Province, on a combined basis. The accounts and financial statements of the Province are examined by the Provincial Auditor who is responsible to the Legislative Assembly and is required to make a report to the Legislative Assembly with respect to each fiscal year.

The revenues and expenditures of the Provincial Government are recorded in the financial statements for the Consolidated Fund on an accrual basis with the following exceptions. These accounting policies have been developed and are applied in accordance with the provisions of the provincial Financial Administration Act.

a) **Government of Canada Receipts** — Entitlements from the Government of Canada are recorded on a cash basis except for accruals of prior year adjustments determined before June 30th of each year.

b) **Pension Benefits** — The annual cost recorded is based on the Government's share of pensions paid to retired employees, teachers and Members of the Legislative Assembly, as well as current contributions to Registered Retirement Savings Plan accounts and tax paid trusts on behalf of MLA's and employees who are pensionable outside of the Civil Service Superannuation Fund. The Government does not record its liability for the unfunded cost of pension benefits earned by employees, teachers and Members of the Legislative Assembly.

c) **Inventories** — The acquisition of inventories not held for resale are reflected as expenditures when incurred.

Expenditures include provisional amounts recorded in anticipation of future costs, which are quantifiable and have been identified as obligations, such as housing renovations.

Fluctuations in the value of direct funded debt payable in foreign currencies, debt discounts and premiums and investment discounts and premiums are amortized over the life of the debt or investment.

The accounts of the Consolidated Fund of the Province include investments in, and loans, advances and grants to, Crown organizations and government enterprises, but in general do not include the profits or losses of such entities. Each of these entities maintains its own accounting records, which are audited annually. For information relating to loans, advances and grants to Crown organizations and government enterprises, see "Tables of Supplementary Information — Table V and VI."

In addition to the financial statements for the Consolidated Fund, the Government of Manitoba also annually prepares Summary Financial Statements (see "Summary Financial Statements") which consolidate the financial statements of the Consolidated Fund with the financial statements

of the various Crown organizations and government enterprises (i.e. entities whose principal activity is carrying on a business).

The accounts of the Consolidated Fund do not include revenue and expenditure of local government bodies such as municipalities and school boards which carry out certain responsibilities delegated by the Province, except that provincial assistance provided to such entities is included in the accounts of the Consolidated Fund as expenditure.

The Provincial Government prepares a budget for each fiscal year, which estimates revenue and expenditure. In 1989, a Fiscal Stabilization Fund was established to cushion fluctuations in provincial revenue and provide a more stable basis for fiscal decisions. The Fund is also available for special initiatives. The Fiscal Stabilization Fund earns interest. Transfers to and from the Fiscal Stabilization Fund are determined by the Minister of Finance, subject to approval by the Lieutenant Governor in Council. At March 31, 2000, the Fiscal Stabilization Fund had $264.8 million in liquid assets. Beginning in the year ended March 31, 1997 fiscal year, all proceeds from lotteries are drawn into revenue on a current basis.

The Balanced Budget, Debt Repayment and Taxpayer Accountability Act (the "Balanced Budget Act") requires the total expenditure of the Province (both current and capital) to be no greater than revenue. Exceptions are allowed only for war, disaster or a single year decline in revenue of 5.0% or more.

If a deficit not allowed under the Balanced Budget Act is incurred, the salaries of all members of the Executive Council will be reduced, and the shortfall is required to be made up in the subsequent year. These provisions do not apply in the fiscal year during which an election results in a change in the party forming the Government. The Balanced Budget Act requires minimum, annual payments to the Debt Retirement Fund, beginning in the fiscal year ended March 31, 1998, for the purpose of retiring the net general-purpose debt of the Province. The Balanced Budget Act limits tax increases by requiring the approval of voters in a referendum before the rates of four major taxes may be increased. At present, these four taxes account for about two-thirds of own source revenue and 48% of total revenue. Exceptions are allowed for revenue-neutral rebalancing of Provincial tax rates, and for offsetting changes in federal and provincial taxes.

The Balanced Budget Act, *the Fiscal Stabilization Act* and *the Financial Administration Act* have been amended to provide for fiscal years beginning in the fiscal year ending March 31, 2001 that:

- transfers to and from the Fiscal Stabilization Fund and the Debt Retirement Fund may not be recorded as expenditure or revenue but as transfers;
- debt repayments in the Debt Retirement Fund are broadened to include the pension liability of the government; and
- the proceeds from the sale of a Crown corporation may not be used in determining whether there is a positive or negative balance for a fiscal year.

Total Operating Fund expenditures for the year ended March 31, 2000 were $6,511.7 million, up $450.9 million from the budget estimate of $6,060.8 million, reflecting higher than anticipated health care and emergency expenditures, while revenue was $6,522.5 million or $440.3 million higher than the budget estimate of $6,082.2, reflecting higher than anticipated own source revenues, federal transfers and corporate income taxes. The reported budgetary surplus for the year ended March 31, 2000 was $10.8 million as compared to an estimated surplus of $21.4 million. These amounts reflect a transfer of $184.7 million from the Fiscal Stabilization Fund.

The budget for the fiscal year ending March 31, 2001 was presented to the Legislature on May 10, 2000. Transfers from the Fiscal Stabilization Fund in the 2000/2001 fiscal year are expected to be $90.0 million.

The following table sets forth the transactions of the Operating Fund for the four fiscal years ended March 31, 2000 and the budget estimate for the fiscal year ending March 31, 2001.

STATEMENT OF OPERATING FUND TRANSACTIONS

	Year Ending March 31,				
	1997	1998	1999	2000	Budget Estimate 2001
	(In millions of dollars)				
Revenue (1)					
Individual and Corporation Income Taxes	$1,653.2	$1,623.8	$2,022.4	$1,918.1	$2,018.9
Federal Transfers					
Unconditional	1,672.7	1,668.3	1,427.8	1,911.6	1,803.2
Conditional (Shared Costs)	43.2	215.8	131.8	161.5	123.8
Other Corporation Taxes	353.0	370.9	383.1	399.5	408.6
Sales Taxes	819.7	881.9	938.0	974.6	1,007.0
Gasoline and Motive Fuel Taxes	218.6	218.1	224.4	218.4	224.0
Luxury Taxes	472.7	482.5	491.8	493.9	503.5
Natural Resources Revenue	100.7	118.1	86.9	93.6	152.1
Other Revenue	165.2	162.5	175.8	166.6	173.2
Total Revenue Before Transfer from Fiscal Stabilization Fund and Lotteries Fund	5,499.0	5,741.9	5,882.0	6,337.8	6,414.3
Transfer from Fiscal Stabilization Fund	—	100.0	185.7	184.7	90.0
Total Revenue	$5,499.0	$5,841.9	$6,067.7	$6,522.5	$6,504.3
Expenditure (1)					
Health and Community Services	$2,544.4	$2,578.3	$2,728.9	$3,067.7	$3,236.3
Education	999.5	1,045.8	1,120.5	1,187.4	1,252.4
Economic and Resource Development	571.6	617.7	653.7	793.6	688.2
Manitoba Tax Credit Plans	198.1	181.2	178.0	177.7	206.4
Direct Local Government Assistance	121.9	120.1	137.5	110.0	139.1
Public Debt	539.1	520.1	514.8	465.3	474.5
Debt Retirement Fund	—	75.0	150.0	75.0	96.0
Consumer Services, Public Protection and Other Government Services	420.3	627.4	553.3	634.8	460.8
Internal Reform — Workforce Adjustment and General Salary Increases	12.0	—	—	—	—
Allowance for Losses	0.9	0.1	(0.1)	0.2	0.8
Total Expenditure	5,407.9	5,765.7	6,036.6	6,511.7	6,554.5
Less: Year-End Savings (2)	—	—	—	—	60.0
	$5,407.9	$5,765.7	$6,036.6	$6,511.7	$6,494.5

STATEMENT OF OPERATING FUND TRANSACTIONS (continued)

	Year Ending March 31,				
	1997	1998	1999	2000	Budget Estimate 2001
	(In millions of dollars)				
Operating Fund Deficit/(Surplus) (3)(4)(5)	$(91.1)	$(76.2)	$(31.1)	$(10.8)	$(9.8)
Extraordinary Items (6)	(264.6)	—	—	—	—
Operating Fund Deficit/(Surplus) after Extraordinary Items	(355.7)	(76.2)	(31.1)	(10.8)	(9.8)
Net Changes in Special Funds (7)	(4.3)	12.2	31.1	87.5	9.8
Non-cash Items included in Deficit/(Surplus)	164.1	(268.5)	(58.4)	(147.1)	—
Provision for Sinking Fund	694.2	512.5	628.2	601.4	(237.9)
Net Change — Loans and Investments	(643.9)	83.2	287.8	687.4	565.7
Net Cash Requirement	$(145.6)	$263.2	$857.6	$1,218.4	$327.8
Provincial Financing					
Funded Debt Proceeds (Net of repayments)					
for General Government Programs	$72.9	$(25.4)	$214.0	$429.9	$23.8
For The Manitoba Hydro-Electric Board	(0.8)	462.6	370.4	736.8	93.5
For Other Self-Sustaining Programs	(43.7)	36.1	53.1	119.9	145.7
Decrease/(Increase) in Cash and Equivalents	(174.0)	(210.1)	220.1	(68.2)	64.8
Total Provincial Financing	$(145.6)	$263.2	$857.6	$1,218.4	$327.8

(1) For additional details, see "Tables of Supplementary Information — Tables I and II."

(2) Anticipated unexpensed portion of budgeted amount.

(3) The Provincial Auditor indicated, in the Auditor's Report, that the financial statements of the Operating Fund and Special Funds for the year ended March 31, 2000 reflect only the transactions and balances of the Operating Fund and Special Funds of the Province of Manitoba. Other significant financial activities of the Government, which occur outside the Operating Fund and Special Funds, are not included in these financial statements. Furthermore, these financial statements are prepared in accordance with accounting principles used for the annual budget of the Operating Fund which vary from generally accepted accounting principles. In the opinion of the Provincial Auditor, the financial statements of the Operating Fund and Special Funds for the year ended March 31, 2000 have been presented in accordance with the accounting policies disclosed in the notes to the financial statements. However, the Provincial Auditor indicated that the Summary Financial Statements of the Government of the Province of Manitoba rather than the Operating Fund and Special Funds Financial Statements better reflect the Government's management of public financial affairs and resources as a whole. Summary Financial Statements for prior years are reflected in the "Tables of Supplementary Information — Tables III and IV."

(4) The Provincial Auditor indicated that, in the Auditor's opinion, had the Government recorded the pension liabilities in its Operating Fund financial statements, the Fund's liabilities and accumulated deficit would be increased by an estimated $2.135 billion as at March 31, 1997. If the estimated pension liabilities were recorded in the Operating Fund financial statements, expenditures for the year ended March 31, 1997 would be increased, and surplus for the year would be decreased, by approximately $140 million. Beginning with the fiscal year ended March 31, 1997, the pension liability is included in the Summary Financial Statements.

(5) The Operating and Special Funds financial statements do not include the Government's pension liabilities. If the pension liabilities were included, the liabilities and accumulated deficit of the Operating and Special Funds as at March 31, 2000 would increase by $2.9 billion.

	(In millions of dollars)	
(6) Extraordinary items are defined as follows:		
Gross proceeds from MTS divestiture		$910
Applied to:		
Conversion and reduction of debt incurred for MTS	400	
Interest equalization provision	50	
Underwriters' fees	37	
Other costs	8	495
Net proceeds from MTS divestiture		415
Less: Debt Repayment — Hospitals and Personal Care Homes		150
		$265

(7) The Special Funds include the Fiscal Stabilization Fund and the Debt Retirement Fund.

Revenue

Provincial Source Revenues. Of its total revenue budgeted for the fiscal year ending March 31, 2001, the Province expects to derive $4,487.3 million or about 70.0% from provincial sources.

Taxation in Canada is constitutionally divided between the Federal and Provincial Governments. The Federal Government collects taxes partly for its own expenditures and partly for distribution to the provinces. The Federal Government has authority to apply both direct and indirect taxes while provinces generally may apply direct taxes only. However, provinces may apply limited indirect taxation in the resource field. Local governments derive their taxing powers from the provinces.

The personal income tax field is shared by the Federal and Provincial Governments. Until 1999, the Province employed a three tax system: a basic income tax (calculated as a percentage of basic Federal income tax), a net income tax and a net income surtax. For many tax-filers, tax owing was reduced by a low-income tax reduction and several tax credits. Under new Federal-Provincial arrangements, the Province now has more latitude in the design of its income tax system. The Province has replaced its three tax system with a single tax with brackets and rates to be applied directly to taxable income. These changes have been partially implemented for the 2000 tax year. The full system will be implemented on January 1, 2001. The personal income tax is collected on the Province's behalf by the Federal government.

Personal income tax revenue in the fiscal year ending March 31, 2001 is budgeted at $1,685.8 million, net of provincial-municipal revenue sharing arrangements under which the Province allocates a portion of its gross personal income tax to local governments.

The Province is also lowering its levies on corporation income taxes of small business. The current rate of 7% of the taxable income of small businesses will be reduced to 6% effective January 1, 2001, and will be further reduced to 5% effective January 1, 2002. The rate remains at 17% of taxable income for large businesses. Corporation income tax revenue for the fiscal year ending March 31, 2001 is budgeted at $333.0 million net of provincial-municipal revenue sharing arrangements under which the Province allocates 1.0 percentage point of its corporation income tax to local governments.

The Province applies a tax at a general rate of 7% on retail sales of most tangible personal property, with major exemptions in respect of food for home consumption, children's clothing under $150, custom software and most farm machinery and prescription drugs. Retail sales tax revenue in the fiscal year ending March 31, 2001 is budgeted at $950.7 million.

The Province levies a tax of 11.5¢ per litre on gasoline, and 10.9¢ per litre on motive fuels. For the fiscal year ending March 31, 2001, the yield of gasoline and motive fuel taxes are budgeted at $224.0 million. There is also a tobacco tax of 8.6 cents per cigarette and 7.7 cents per gram of

loose tobacco. Total tobacco tax revenue for the fiscal year ending March 31, 2001 is budgeted at $124.5 million.

A levy for financing health and post-secondary education is applied to total compensation paid to employees by Manitoba employers. Employers with annual payrolls under $1 million are exempt and those with payrolls between $1 million and $2 million are subject to reduced rates. The tax rate on taxable payroll is 2.15%. For the fiscal year ending March 31, 2001, the levy is budgeted to yield $228.0 million.

Federal Government Transfers. Transfer payments from the Federal Government are budgeted to provide approximately 30.0% of the Province's total budgetary revenue in the fiscal year ending March 31, 2001. Unconditional transfers, primarily receipts under a Federally funded provincial revenue equalization formula and cash payments under the Canada Health and Social Transfer, account for approximately 28.1% of total budgetary revenue. Conditional transfers, consisting mainly of federal cost-sharing payments in respect of programs for social and economic development, account for the remainder of Federal government transfers.

The largest and most important of these Federal-provincial financing arrangements are authorized by the *Federal-Provincial Fiscal Arrangements Act, 1995* (the "Federal Act"). The Federal Act establishes the concept of tax revenue equalization on a per capita basis to a value established by a formula incorporating a representative average tax system of the provinces. The Province budgeted unconditional revenue of $1,171.1 million from Federal equalization payments in the fiscal year ending March 31, 2001.

The current Canada Health and Social Transfer Arrangements within the Federal Act provide for federal assistance in respect of social programs through transfers to the Provincial governments of income taxing authority and cash payments. The amount of Federal assistance does not bear a direct relationship to the program costs of the Province, but rather are calculated on the basis of per capita entitlements. The cash component of these arrangements is budgeted at $539.9 million for Manitoba for the fiscal year ending March 31, 2001. Manitoba has also received $92.2 million in the fiscal year ending March 31, 2001 as its share of the one-time federal Supplement to the Canada Health and Social Transfer.

On October 20, 2000, the Federal Government passed an Act to increase payments under the Canada Health and Social Transfer over the next five years. This will provide Manitoba with $18.6 million additional funding in the fiscal year ending March 31, 2001. In the fiscal year ending March 31, 2002, payments under the Canada Health and Social Transfer will increase to $666.5 million and will continue to increase on an annual basis, reaching $755.9 million in the fiscal year ending March 31, 2006.

The Federal Act includes a stabilization formula which provides for federal grants and interest-free loans if revenue from a province's own sources plus equalization falls below 95% of the previous year's level, excluding variations of natural resource revenue. The Federal Act also provides a limited guarantee arrangement to compensate provinces for certain losses incurred during the calendar year in which a national personal income tax change results in provincial income tax reductions.

Expenditure

Health and Community Services. For the fiscal year ending March 31, 2001, expenditure on Health and Community Services is budgeted at $3,236.3 million, an increase of 5.5% over the prior year. This is the largest single expenditure category and represents 49.8% of the Province's total budgeted expenditure. Health and Community Services includes the Universal Health Benefits Plan under which hospital and medical care is available to Manitoba residents without charge. Under this Plan, the Province pays all the operating costs as well as the debt servicing costs of approved capital construction for hospitals and personal care institutions. The Province has budgeted the gross cost of services under the Plan at $2,435.5 million for the fiscal year ending March 31, 2001, an increase of 5.4% over the prior year.

Also included in this category is $780.4 million budgeted for the Province's social security program which provides income security, financial assistance to the elderly, rehabilitation services for physically and mentally handicapped persons and child welfare services.

Education. Education expenditure for the fiscal year ending March 31, 2001 is budgeted at $1,252.4 million, an increase of 5.5% over the prior year, and represents 19.3% of Manitoba's total budgeted expenditure. The major portion of this expenditure, amounting to $747.0 million, is for providing direct financial support to local school divisions for the approved cost of public schools in the Province as well as the debt servicing costs of approved capital construction for schools. The additional funds required to operate the public schools, plus any special projects undertaken by the school divisions, are derived from a property tax on the residents of the divisions.

This expenditure also includes financial support for the four universities and the three community colleges in the Province, which is budgeted to amount to $380.5 million for the fiscal year ending March 31, 2001.

Economic and Resource Development. Expenditure on economic and resource development is budgeted at $688.2 million for the fiscal year ending March 31, 2001, a decrease of 13.3% from the prior year, and represents 10.6% of Manitoba's total budgeted expenditure. The largest item in this category is Highways and Government Services, amounting to $297.6 million.

Other. The Province also provides property and cost-of-living tax credits to residents of Manitoba, budgeted at $206.4 million for the fiscal year ending March 31, 2001.

Expenditure for Provincial assistance to local governments is budgeted at $139.1 million for the fiscal year ending March 31, 2001 and includes $69.4 million for grants to the City of Winnipeg and $13.6 million for grants in lieu of taxes to municipalities.

Consumer Services, Public Protection and Other Government Services. Expenditure for Consumer Services, Public Protection and Other Government Services is budgeted at $460.8 million, a decrease of 27.4% over the prior year reflecting lower anticipated emergency expenditures.

SUMMARY FINANCIAL STATEMENTS

The Summary Financial Statements of the Government of the Province of Manitoba (See "Tables of Supplementary Information — Tables III and IV") reflect the financial results of the Government Reporting Entity which consists of the Consolidated Fund plus Crown organizations and government enterprises (i.e. entities whose principal activity is carrying on a business). These financial statements consolidate the financial statements of all of the organizations comprising the Government Reporting Entity, except for government enterprises, which are accounted for by the modified equity method of accounting. The purpose of the Summary Financial Statements is to report fully the nature and extent of the financial affairs and resources for which the Government is ultimately responsible.

In order to be considered a part of the Government's Reporting Entity for the "Summary Financial Statements", an organization must be accountable for the administration of its financial affairs and resources to a minister of the Government, or directly to the Legislature, and must be owned and/or controlled by the Government, as determined by legislative provisions or by a majority holding of voting share capital. The financial operations of organizations which are not part of the Government Reporting Entity are reflected in the Summary Financial Statements only to the extent that:

1. they receive money from or pay money to the Government, or
2. any non-recoverable deficits they incur are adjusted against the amounts loaned, advanced or invested in them by the Government, or
3. where the Government has no loans, advances or investments involved, any losses they incur, which are assumed by the Government, are recorded as accrued charges.

Crown organizations are consolidated after adjusting them to a basis consistent with the accounting policies of the Government Reporting Entity. Inter-entity accounts and transactions are eliminated upon consolidation, except for retail sales tax and the levy for health and education, which remain on a gross basis as operating expenditures and revenue. Where the fiscal year-end of Crown organizations is not the same as that of the Government Reporting Entity and their transactions significantly affect the financial statements, they are restated to March 31.

Government enterprises maintain their accounts in accordance with accounting principles which are generally accepted for business enterprises and which are considered appropriate to their individual objectives and circumstances. They are reported by the modified equity method of accounting without adjusting them to a basis consistent with that of the Government Reporting Entity. Under the modified equity method, the Province includes the Government enterprises' net assets and net income by adjusting the investment shown in the Province's Statement of Financial Position and by presenting the net income as a separate item on the Province's Statement of Revenues and Expenditures. The financial results of enterprises are not restated to March 31 notwithstanding that their fiscal year-end may not be the same as that of the Government Reporting Entity. Inter-entity accounts and transactions are not eliminated, nor are normal inter-entity operating transactions disclosed separately.

CROWN ORGANIZATIONS AND GOVERNMENT ENTERPRISES

The Province provides certain services and promotes certain types of social and economic development through Crown organizations and government enterprises ("Crown organizations") which have access to financial assistance from the Province through advances, equity investments, guaranteed borrowings, loans and grants. Crown organizations such as The Manitoba Hydro-Electric Board are intended to operate on a commercial basis, rather than being subsidized by the Province. The Province also operates other Crown organizations, such as The Manitoba Agricultural Credit Corporation and The Manitoba Housing and Renewal Corporation, on a partially subsidized basis with funds provided from departmental appropriations. With the exception of The Liquor Control Commission and The Manitoba Lotteries Corporation, the profits of which are transferred to the Province, Crown organizations retain their profits for their own requirements. Loans, advances, investments and grants are made as required for the operations of the organizations pursuant to appropriations in the Provincial Budget or through specific enactment by the Legislative Assembly.

A valuation allowance is provided in the accounts of the Province for decreases in the value of loans, advances and investments made to Crown organizations, and is adjusted annually for changes that occur in the estimated realizable value of these assets, based on financial results applicable to the most recent fiscal year completed prior to April 1. The allowance is intended to provide for any accumulated operating and capital deficits of Crown organizations. This allowance as at March 31, 2000, was $135.7 million in respect of the Province's total investment in its Crown organizations in the amount of $7,727.4 million at such date.

The following table sets forth the financing of the Province's principal Crown organizations and the allowance for losses on realization of assets as at March 31, 2000:

CAPITALIZATION OF CROWN ORGANIZATIONS AND GOVERNMENT ENTERPRISES

	As at March 31, 2000					
	Provincial Advances	Provincial Equity	Debt Guaranteed by the Province	Debt Not Guaranteed	Total	Valuation Allowance
	(In thousands of dollars)					
The Manitoba Hydro-Electric Board	$6,854,360 (1)	$ —	$411,867	$236,180	$7,502,407	$ —
The Manitoba Housing and Renewal Corporation	370,077	—	—	201,401	571,478	17,347
The Manitoba Agricultural Credit Corporation	310,811	—	—	—	310,811	25,742
Manitoba Development Corporation	87,477	—	—	—	87,477	54,786
Communities Economic Development Fund	25,521	—	—	—	25,521	6,326
Manitoba Trade and Investment Corporation	24,744	—	—	—	24,744	24,081
The Manitoba Water Services Board	5,342	—	—	—	5,342	—
Leaf Rapids Town Properties Ltd.	—	2,026	—	1,499	3,525	3,525
Other	36,629	8,871	305	—	45,805	3,878
Total	$7,714,961	$10,897	$412,172	$439,080 (2)	$8,577,110	$135,685

(1) Provincial advances have been adjusted by the foreign currency fluctuation on the Direct Debt of the Province for which Manitoba Hydro is responsible.

(2) Debt not guaranteed consists of $1.5 million held by the Province, $198.9 million held by Canada Mortgage and Housing Corporation, an agency of the Federal government, $75.6 million held by various First Nation Bands, $2.5 million of assumed mortgages on existing property and $160.6 million held by the Public.

For detailed information relating to borrowing requirements and financing sources for Crown organizations for the five years ended March 31, 2000, see "Tables of Supplementary Information — Table VI."

The Manitoba Hydro-Electric Board provides for a supply of electrical power adequate for the needs of Manitoba, and to promote economy and efficiency in the generation, distribution, supply and use of electrical power within Manitoba. See "The Manitoba Hydro-Electric Board."

The Manitoba Housing and Renewal Corporation undertakes the construction of housing projects and administers various Provincially subsidized housing programs, including rental subsidies for low income families, housing grants for elderly persons and housing improvement programs.

At March 31, 2000, preliminary unaudited, the Corporation had total assets of $637.3 million represented by $327.8 million of projects completed or under construction, owned land held for development and/or sale having a book value of $13.2 million, loans and mortgages receivable of $182.6 million and other assets of $113.7 million.

The Manitoba Agricultural Credit Corporation provides credit for farmers principally through direct loans for capital purposes secured by first mortgages held by the Corporation and through guarantees of loans by chartered banks.

At March 31, 2000, the Corporation had total assets of $300.0 million, of which $263.3 million represented receivables secured by first mortgages on farm land and buildings. For the fiscal year ended March 31, 2000, the Corporation's operating deficit was $5.3 million, after a Provincial operating grant of $3.9 million. As at March 31, 2000, the accumulated deficit of the Corporation was $23.0 million, primarily representing an allowance for doubtful accounts which the Province will fund as accounts are written off.

PUBLIC DEBT

Debt Record

The Province has always paid the full face amount of the principal of and premium and interest on (a) every direct obligation issued by it and (b) every indirect obligation on which it has been required to implement its guarantee, all promptly when due in the currency in which and country where payable at the time of payment thereof, subject during wartime to any applicable laws and regulations forbidding trading with the enemy.

Direct Funded Debt of the Province

The Province borrows to fund its net cash requirement. The following table summarizes the direct funded debt of the Province by currency as at March 31 for the years 1996 through 2000.

DIRECT FUNDED DEBT OF THE PROVINCE

	As at March 31,				
	1996	1997	1998	1999	2000 (1)
	(In thousands of dollars)				
Direct Funded Debt Payable in (2):					
Canadian Dollars (3)	$7,710,108	$7,913,617	$8,575,028	$10,175,179	$11,115,797
Issues swapped to Canadian Dollars	1,951,919	2,930,815	2,746,411	2,045,427	2,852,563
U.S. Dollars	6,312,647	5,337,523	4,895,424	5,517,267	5,087,250
Issues swapped to U.S. Dollars	1,020,128	885,139	1,363,002	880,384	574,016
Total Direct Funded Debt (4)	16,994,802	17,067,094	17,579,865	18,618,257	19,629,626
Less: Sinking Funds	3,833,016	4,529,727	5,053,335	5,821,697	6,411,147
Net Direct Funded Debt	$13,161,786	$12,537,367	$12,526,530	$12,796,560	$13,218,479
Raised for the purpose of:					
General Government Programs (5)	$6,813,637	$6,807,955	$6,763,278	$6,773,800	$6,718,334
The Manitoba Hydro-Electric Board	4,605,587	4,526,062	4,784,110	5,083,853	5,566,339
Other	1,742,562	1,203,350	979,142	938,907	933,806
Net Direct Funded Debt	$13,161,786	$12,537,367	$12,526,530	$12,796,560	$13,218,479

(1) Subsequent to March 31, 2000, the Province issued funded debt of $1,882.6 million in Canadian dollars which was issued to finance maturing issues, fund an allocation to the provincial sinking fund, and for self-sustaining programs including Manitoba Hydro.

(2) Debentures payable in U.S. dollars and other foreign currencies are stated at the Canadian dollar equivalent using the exchange rates in effect on March 31 each year adjusted for any foreign currency contracts entered into for settlement after those dates.

(3) Direct funded debt payable in Canadian dollars includes debentures held by the Canada Pension Plan Investment Fund. Such securities are payable 20 years after their respective dates of issue, are not negotiable, transferable or assignable, but are redeemable in whole or in part before maturity at the option of the Minister of Finance of Canada, on six months' prior notice, when he deems it necessary in order to meet the requirements of the Canada Pension Plan. At March 31, 1999 and 2000, the amounts of such debentures were $1,599 million and $1,506 million, respectively.

(4) For the fiscal year ending March 31, 2001, the gross interest expense for the Province's direct funded debt is estimated to be $1,394 million, comprised of $826 million for general provincial programs (before deduction of interest income of $334 million) and $568 million in respect of debt designated by the Lieutenant Governor in Council as "self-sustaining," which is required to be serviced out of funds generated by the activity financed.

(5) Debt for general government programs consists of the total direct funded debt of the Province less debt issued for self-sustaining purposes and capital investments.

For additional information as to the direct funded debt of the Province, see "Tables of Supplementary Information — Table VII."

Guaranteed Debt of the Province

The following table summarizes the guaranteed debt of the Province by currency and purpose of issue as at March 31 for the years 1996 through 2000.

GUARANTEED DEBT OF THE PROVINCE

	As at March 31,				
	1996	1997	1998	1999	2000
	(In thousands of dollars)				
Guaranteed Debt Payable in (1):					
Canadian Dollars	$649,868	$560,033	$507,565	$479,632	$421,219
U.S. Dollars	210,478	601,893	532,500	296,709	—
Total Guaranteed Debt	860,346	1,161,926	1,040,065	776,341	421,219
Less: Sinking Funds and Other Related Trust Funds	137,985	147,897	248,916	175,118	180,473
Net Guaranteed Debt (2)	$722,361	$1,014,029	$791,149	$601,223	$240,746
Issued by:					
The Manitoba Hydro-Electric Board	694,541	1,005,601	$784,689	$592,600	$231,699
Other	27,820	8,428	6,460	8,623	9,047
Net Guaranteed Debt (2)	$722,361	$1,014,029	$791,149	$601,223	$240,746

(1) Debentures payable in U.S. dollars are stated at the Canadian dollar equivalent using the exchange rate in effect on March 31 each year adjusted for any foreign currency contracts entered into for settlement after those dates.

(2) The table does not include contingent obligations in the amount of $79.7 million as at March 31, 2000, comprised of $0.7 million of mortgages, and $79.0 million of bank lines of credit.

For additional information as to guaranteed debt, see "Tables of Supplementary Information — Table VIII."

Maturity Schedule

The following table sets forth the maturity schedule by currency of the direct funded and guaranteed debt of the Province as at March 31, 2000:

MATURITY SCHEDULE
DIRECT AND GUARANTEED DEBT (1)

Years Ending March 31,	Canadian Dollars (2)	U.S. Dollars (2)(3)	Gross Maturities	Estimated Sinking Funds Withdrawal	Net Maturities
			(In thousands of dollars)		
Short-Term Debt	$532,000	$ —	$532,000	$ —	$532,000
2001	1,802,254	508,725	2,310,979	532,180	1,778,799
2002	793,776	1,017,450	1,811,226	488,976	1,322,250
2003	1,604,725	1,070,187	2,674,912	783,877	1,891,035
2004	923,619	814,523	1,738,142	463,764	1,274,378
2005	1,264,574	70,131	1,334,705	360,925	973,780
	6,920,948	3,481,016	10,401,964	2,629,722	7,772,242
2006-2010	3,941,408	726,750	4,668,158	898,523	3,769,635
2011-2015	1,126,149	—	1,126,149	267,244	858,905
2016-2020	1,152,726	944,775	2,097,501	1,075,803	1,021,698
2021-2031	1,248,348	508,725	1,757,073	1,720,328	36,745
	$14,389,579	$5,661,266	$20,050,845	$6,591,620	$13,459,225

(1) The table does not include contingent obligations in the amount of $79.7 million as at March 31, 2000, comprised of $0.7 million of mortgages, and $79.0 million of bank lines of credit.

(2) Debt payable in Canadian dollars and U.S. dollars includes debt swapped from other currencies.

(3) Debt payable in U.S. dollars (U.S.$3.9 billion) is stated at the Canadian dollar equivalent at March 31, 2000.

Sinking Funds

The Minister of Finance may provide for the creation and management of sinking funds for the orderly retirement of debt. The Minister of Finance may authorize, by directive, the amount, if any, to be allocated to the Province's sinking fund. The amount allocated to the sinking fund by the Province for the fiscal year ended March 31, 2000, was $535.2 million. Currently, the Province's sinking fund is invested principally in securities issued or guaranteed by Canadian provinces.

Manitoba Hydro is required by statute to provide, prior to its fiscal year end in each year, amounts for sinking funds which are not less than the sum of (a) 1% of the debt of and Provincial advances to Manitoba Hydro outstanding at the preceding fiscal year end plus (b) 4% of the balance of cash and book value of securities in the sinking fund at such date. Interest earned on money and securities in the sinking fund is paid to Manitoba Hydro.

Unfunded Debt

The unfunded debt of the Province as at March 31, 2000 amounted to $1,116 million, including $303 million of accounts payable, $318 million of accrued interest and $495 million of other accrued charges. This unfunded debt was offset by current assets of the Province in the amount of $887 million, represented by $308 million of March 2000 tax revenue receivables, $36 million of other receivables, $106 million of interest receivable and $146 million of accounts receivable from the Federal and other governments and $291 million in cash and equivalents.

Consolidated Funded Debt of the Manitoba Public Sector

The Province supervises all financial activities of the Manitoba public sector. Certain public sector entities issue debt in their own names, which is not guaranteed by the Province. Accordingly, not all funding within the public sector is reflected in the Province's financial statements. The following table sets forth the consolidated funded debt of the Manitoba public sector at March 31 for each of the years 1996 through 2000.

CONSOLIDATED FUNDED DEBT OF THE MANITOBA PUBLIC SECTOR

	As at March 31,				
	1996	1997	1998	1999	2000
	(In millions of dollars)				
Issued for the purpose of:					
General Government Programs	$9,279	$9,350	$9,305	$9,733	$9,981
The Manitoba Hydro-Electric Board	5,944	6,314	6,719	7,009	7,342
Other Crown Organizations	2,813	2,753	2,809	2,872	2,989
Municipalities and their Enterprises	1,197	1,162	1,240	1,199	1,276
Schools and Universities	352	355	352	376	386
Hospitals and Associated Institutions	707	601	526	527	591
Total Public Sector Debt	20,292	20,535	20,951	21,716	22,565
Less: Accumulated Sinking Funds	4,307	5,013	5,639	6,367	7,030
Net Public Sector Debt	$15,985	$15,522	$15,312	$15,349	$15,535
Consisting of:					
Direct Debt of the Province (1)	$16,995	$17,067	$17,579	$18,619	$19,630
Less: Amount Provided to Municipalities and Universities	54	43	33	24	16
Guaranteed Debt of the Province (1)	860	1162	1,040	776	421
Less: Amount Provided to Municipalities, Schools and Hospitals	1	1	—	—	—
Non-Guaranteed Debt of Crown Organizations	237	233	247	243	277
Less: Amount Provided to Municipalities and Hospitals	1	1	—	—	—
Municipalities and their Enterprises	1,197	1,162	1,240	1,199	1,276
Schools and Universities	352	355	352	376	386
Hospitals and Associated Institutions	707	601	526	527	591
Total Public Sector Debt	20,292	20,535	20,951	21,716	22,565
Less: Accumulated Sinking Funds	4,307	5,013	5,639	6,367	7,030
Net Public Sector Debt	$15,985	$15,522	$15,312	$15,349	$15,535

(1) U.S. and other foreign currency debt included in the Direct Debt of the Province and the Guaranteed Debt of the Province are stated at the Canadian dollar equivalent using the exchange rates in effect on March 31 each year.

Selected Debt Information

The following table sets forth certain information as to the funded debt of the Province as well as debt issued for general government programs (all net of accumulated sinking funds) as at March 31 for the years 1996 through 2000, including per capita data based upon population at July 1 of the preceding calendar year:

PUBLIC SECTOR DEBT INFORMATION

	As at March 31,				
	1996	1997	1998	1999	2000
Total Net Consolidated Funded Debt of the Manitoba Public Sector (in millions)	$15,985	$15,522	$15,312	$15,349	$15,535
Per Capita	14,146	13,688	13,467	13,488	13,591
As a Percent of Personal Income	68.1%	63.8%	61.8%	59.3%	58.0%
As a Percent of Gross Domestic Product	59.3	54.9	52.2	51.1	49.8
Total Net Direct Funded Debt of the Province (in millions)	$13,162	$12,537	$12,527	$12,797	$13,218
Per Capita	11,648	11,056	11,018	11,245	11,564
As a Percent of Personal Income	56.1%	51.5%	50.6%	49.4%	49.3%
As a Percent of Gross Domestic Product	48.8	44.3	42.7	42.6	42.3
Net Debt Issued for General Government Programs (in millions)	$6,814	$6,808	$6,763	$6,774	$6,718
Per Capita	6,030	6,004	5,948	5,953	5,878
As a Percent of Personal Income	29.0%	28.0%	27.3%	26.2%	25.1%
As a Percent of Gross Domestic Product	25.3	24.1	23.1	22.5	21.5
Net Cost of Servicing General Government Program Debt as a Percent of Provincial Revenue	9.8%	9.8%	8.9%	8.5%	7.1%

Pension Liability

The Government is required by legislation to pay 50% of the pension disbursements made to retired Provincial employees (with the exception of the share payable by Government agencies for their employees) and to retired contributors to the Teachers' Retirement Allowances Fund (TRAF). Such payments are charged to departmental appropriations as incurred and no provision is made to fund current or past service obligations of the Government to the Civil Service Superannuation Fund (CSSF) or to the TRAF. The reserves, which are presently held in these Funds represent only the employees' obligation towards the total pension liability, except as described in the following paragraph.

Certain amendments to the *Civil Service Superannuation Act* were made in 1992 which required that the CSSF establish and fund a separate account in an amount sufficient to cover the Province's actuarial costs of the 1992 amendments to the Act. The CSSF account maintained on behalf of the Province at March 31, 2000 was $24 million ($21 million in 1999).

An actuarial valuation and report of the Government's liability to the CSSF was determined as at December 31, 1998. The report also provided a formula to update the liability on an annual basis. In accordance with this formula, the Government's actuarial liability to the CSSF has been calculated on an indexed basis at $1,248 million as at March 31, 2000 ($1,194 million in 1999).

An actuarial report for TRAF was completed in January 1, 1998 and provides a formula to update the Government's pension liability, resulting in an actuarial liability of $1,607 million at March 31, 2000.

The Pension Plan for Members of the Legislative Assembly (MLAs) provides MLAs elected prior to April 25, 1995 defined pension benefits based on years of service. For those elected after April 25, 1995, the Act provides for defined contribution benefits as well as defined pension benefits for service prior to April 25, 1995.

An actuarial valuation was completed in September 1997 and provides a formula to update the liability on an annual basis. The Government's liability is calculated to be $31 million at March 31, 2000 ($30 million in 1999).

The estimated pension liability for the Government and Crown organizations (which does not include Government enterprises such as Manitoba Hydro) may be summarized as follows:

	As at March 31,	
	1999	2000
	(In millions of dollars)	
Civil Service Superannuation Fund:		
Operating Fund	$1,194	$1,248
Crown Organizations (as at March 31, 1999)	16	20
Members of Legislative Assembly	30	31
Teachers' Retirement Allowances Fund	1,526	1,607
Total	$2,766	$2,906

Manitoba Hydro employees are eligible for pensions under the Manitoba Civil Service Superannuation Fund which requires Manitoba Hydro to contribute 50% of the pension disbursements made to retired employees. Based on an actuarial formula, Manitoba Hydro has a liability for pension obligations at March 31, 2000 of approximately $358.6 million ($369.0 million as at March 31, 1999), which was fully funded.

THE MANITOBA HYDRO-ELECTRIC BOARD

The Manitoba Hydro-Electric Board ("Manitoba Hydro") was established in 1949 by an Act of the Legislature of the Province as an agent of the Crown in right of the Province to provide for a supply of electrical power adequate for the needs of Manitoba, and to promote economy and efficiency in the generation, distribution, supply and use of electrical power within Manitoba.

In 1997, amendments were made to the *Manitoba Hydro Act* to provide wholesale competition and transmission access in the Manitoba electrical market and allow Manitoba Hydro to offer new products and services, create subsidiaries and enter into joint ventures and business alliances.

Manitoba Hydro serves the entire Province except for that portion of the City of Winnipeg served by the City of Winnipeg Hydro Electric System ("Winnipeg Hydro"). The electrical systems of Manitoba Hydro and Winnipeg Hydro are interconnected and operate as an integrated system.

At March 31, 2000, the total installed integrated electric generating capability in the Province was 5,115,600 kilowatts, of which 4,982,600 kilowatts were operated by Manitoba Hydro and the remaining 133,000 kilowatts were operated by Winnipeg Hydro.

Isolated communities in northern Manitoba which are too remote to be served from the integrated system are provided with electric service by Manitoba Hydro from local diesel-electric generating stations having a total installed capacity of 8,255 kilowatts.

Of Manitoba Hydro's total generating capability at March 31, 2000, hydro-electric stations represented 95.1%, thermal-electric (coal) stations, 4.7%, and diesel-electric stations, 0.2%. During the year ended March 31, 2000, 95.0% of the Manitoba integrated system energy input of 31.0 billion kilowatt-hours was provided by hydro-electric generation. The portion of total supply provided by thermal generation was 2.2% and by imports was 2.8%.

On July 30, 1999, Manitoba Hydro received approval from The Public Utilities Board to acquire all of the issued and outstanding shares of Centra Gas Manitoba Inc. ("Centra Gas") and Minell Pipeline Ltd. ("Minell") for $242 million. Additionally, as a result of the acquisition, Centra Gas paid income taxes of $58 million due to the acquired businesses' change to a non-taxable status.

Centra Gas is the primary gas distribution utility in Manitoba with approximately 246,000 residential, commercial and industrial customers. Minell consists solely of a 70 kilometre pipeline from Saskatchewan into Manitoba.

Operations

Electrical

As at March 31, 2000, Manitoba Hydro owned and operated 12 hydro-electric generating stations having a total installed electric generating capability of 4,749,500 kilowatts, including five stations with a total capability of 3,831,600 kilowatts located on the Nelson River. Manitoba Hydro also operated two thermal-electric generating stations having a total installed capability of 233,100 kilowatts.

As at March 31, 2000, the high voltage transmission facilities of Manitoba Hydro consisted of approximately 11,387 circuit kilometres, representing a total investment of $602 million.

For purposes of exporting firm energy and for the interchange of power on a short-term basis to provide for economy of operations and system emergencies, Manitoba Hydro maintains interconnections with power facilities in the Provinces of Saskatchewan and Ontario and in the States of North Dakota and Minnesota. Manitoba Hydro's interconnections with Saskatchewan have a total transfer capability of 450,000 kilowatts and interconnections with Ontario have a capability of 240,000 kilowatts. The interconnections with the United States have a total transfer capability of 2,050,000 kilowatts.

During the fiscal year ended March 31, 2000, Manitoba Hydro sold a total of 26.7 billion kilowatt-hours of energy, representing a decrease of 3.6% from the fiscal year ended March 31, 1999. Scheduled extra-provincial sales accounted for 10.9 billion kilowatt-hours, or 40.8% of total sales in the fiscal year ended March 31, 2000. The only customer in Manitoba accounting for more than 5% of total kilowatt-hours sales was Winnipeg Hydro (5.25%).

As a result of extensive interconnections with neighboring electrical utilities and higher export prices, extra-provincial sales increased by $50 million to $377 million for the fiscal year ended March 31, 2000. Primarily a result of increased extra-provincial sales, Manitoba Hydro's net income increased by $48 million to $148 million for the fiscal year ended March 31, 2000.

Natural Gas

As at March 31, 2000, Centra Gas employed 640 employees to provide natural gas distribution and related energy services to the 246,000 customers that are located in nearly 100 communities throughout southern Manitoba. Centra Gas owns a network of transmission and distribution mains totaling 7,435 kilometres in length to meet the natural gas requirements of these customers.

For the eight-month period ended March 31, 2000, Centra Gas contributed $4 million to consolidated net income based on total gas deliveries of 57.2 billion cubic feet. These gas deliveries were comprised of 18.7 billion cubic feet to residential customers, 25.6 billion cubic feet to commercial and industrial customers and 12.9 billion cubic feet of transportation deliveries.

Rate Matters

Manitoba Hydro's rates for electricity sales within the province are set on a cost of service basis and are subject to review and approval by The Public Utilities Board of Manitoba ("PUB"). Manitoba Hydro did not seek a rate increase for electricity customers for the 1998/99, 1999/00 and 2000/01 fiscal years and rates for large industrial customers have been held constant for the last nine years.

Centra Gas is regulated by PUB on a rate base / rate of return basis and natural gas is a flow-through cost to customers, recoverable from customers through future rate adjustments. The last PUB review that approved the rate base and rate of return was in 1998 and authorized a rate base of $280 million and an allowed return of 9.91%.

Centra Gas customers experienced two rate adjustments in the fiscal period ended March 31, 2000. The first rate change was implemented in two stages and produced rate adjustments of approximately −6.5% for average residential customers and −7.5% to 13.0% for large general service customers at July 1, 1999. The second stage of the adjustment was deferred until April 1, 2000 and resulted in rate increases that ranged from 3.9% to 7.2% for large general service customers. These rate adjustments were required to account for an increase in the price of natural gas and to include various gas cost deferral accounts from previous fiscal years in rates. A second rate adjustment increased residential rates by 4.0% and increased large general service customers in the range of 4.1% to 7.1% on December 1, 1999 as a result of increased natural gas prices.

In July 2000, Centra Gas introduced a rate management program that incorporates rate adjustments to customers every three months to mitigate the impact of fluctuations in the price of natural gas. Based on this program, the first rate adjustment occurred on August 1, 2000 and resulted in rate increases that ranged between 15.9% and 28.0%. Centra Gas has applied to PUB for approval to increase rates in the range of 11.2% to 18.0% effective November 1, 2000.

Statistical Information

The following table sets forth certain statistical information for the last five years.

	Year Ended March 31,				
	1996	1997	1998	1999	2000
Electricity					
Integrated System Installed Generating Capability (1) (in megawatts)	5,343	5,343	5,137	5,137	5,116
Manitoba Firm Peak Demand (in Megawatts)	3,588	3,409	3,490	3,559	3,524
Manitoba & Winnipeg Hydro Integrated System Electric Energy (in millions of kilowatt-hours)					
Generated	29,351	31,877	34,060	30,060	30,155
Purchased	1,238	1,201	942	1,225	870
	30,589	33,078	35,002	31,285	31,025
Losses and Internal Use	3,395	3,601	3,910	3,577	3,471
Total Electric Energy Sales	27,194	29,477	31,092	27,708	27,554
Electric Energy Sales (2) (in millions of kilowatt-hours)					
Manitoba	15,801	16,068	15,895	16,288	15,777
Extra-provincial	9,659	11,499	13,567	11,404	10,911
Total Electric Energy Sales	25,460	27,567	29,462	27,692	26,688
Revenue from Sale of Power (in thousands of dollars)					
Manitoba	$735,096	$749,769	$738,698	$748,277	$737,230
Extra-provincial	245,413	267,655	296,958	326,200	376,570
Total Revenue from Sale of Power	$980,509	$1,017,424	$1,035,656	$1,074,477	$1,113,800
Number of Customers (at end of period)	388,634	391,401	394,328	398,863	402,023
Average Revenue per kilowatt-hour					
Manitoba	4.65¢	4.67¢	4.65¢	4.59¢	4.67¢
Extra-provincial	2.54	2.33	2.19	2.86	3.45
Average Cost per kilowatt-hour of Electric Energy Sold (excluding finance expense)	1.92¢	1.82¢	1.73¢	2.05¢	2.13¢
Natural Gas (3)					
Gas Deliveries (in billions of cubic feet)					
Residential					18.7
Commercial/Industrial					25.6
Transportation					12.9
Total Gas Deliveries					57.2
Number of Customers (at end of period)					245,761
Revenue from Sale of Natural Gas (in thousands of dollars)					
Residential					$136,763
Commercial / Industrial					129,482
Transportation					1,388
Other					1,074
Total Revenue from the Sale of Natural Gas					$268,707
Rate Base (in thousands of dollars) (4)					$280,097
Allowed Rate of Return (4)					9.91%

(1) Starting in 1997/98, Manitoba Hydro adopted the Uniform Rating of Generating Equipment for reporting the capability of its generating stations. Prior years have not been restated.

(2) Manitoba energy sales are based on the net energy transfer to Winnipeg Hydro and exclude internal energy use. Extra-provincial energy sales are based on scheduled energy deliveries and exclude energy supplied out of province for delivery out of province.

(3) Statistics are based on Centra Gas operations from the July 30, 1999 acquisition date through March 31, 2000.

(4) Rate base and rate of return values are based on the last approved figures approved by PUB in 1998.

For information with respect to the operating financial results, balance sheet and statement of changes in financial position of Manitoba Hydro, see "Tables of Supplementary Information — Tables IX, X and XI."

Construction Program

The following table summarizes Manitoba Hydro's capital expenditure for improvements and expansion of its facilities during the four-year period ended March 31, 2000, and the estimated capital expenditure to meet future demands for electric energy in the Province during the five-year period ending March 31, 2005.

CAPITAL EXPENDITURE

	Year Ending March 31,						
					Estimated		
	1997	1998	1999	2000	2001	2002	2003-2005
	(In thousands of dollars)						
Electricity							
Generating Plant	$73,708	$49,211	$60,387	$63,933	$147,043	$134,727	$146,537
Major Transmission & Stations	101,106	47,289	94,003	107,025	69,207	74,894	326,478
Distribution & Other	122,272	151,580	177,215	150,880	129,134	137,752	444,342
Natural Gas							
Distribution & Other	—	—	—	7,613	26,775	27,397	78,849
	$297,086	$248,080	$331,605	$329,451	$372,159	$374,770	$996,206

The estimated capital expenditure of $1,743 million for the five-year period ending March 31, 2005, together with approximately $847 million of debt maturities, net of projected sinking fund withdrawals and sinking fund contributions for the same period, total $2,590 million. Manitoba Hydro expects approximately 74% of these requirements will be obtained from internally generated funds.

Manitoba Hydro has five generating stations with a total installed generating capability of 3,832 megawatts along the Nelson River. Manitoba Hydro estimates the total potential hydro-electric generating capacity of the overall Nelson River development to be in excess of 7,500 megawatts.

In February 2000, the Province of Manitoba approved a proposal by Manitoba Hydro to install two natural gas fired Combustion Turbines ("CT") with a total capacity of 260 megawatts at the existing site of the Brandon thermal generating station. The cost of the CT project is estimated to be $180 million and will have a May 2002 in-service date. The new CT project will allow Manitoba Hydro to optimize the operations of the hydraulic generating stations and provide for increased system reliability during periods of drought.

It is projected that no new major hydraulic generation and transmission facilities will be required to serve the domestic electricity and committed export requirements until at least 2016. Manitoba Hydro is currently exploring possible expansion of hydro-electric generating capacity. Manitoba Hydro believes, based on its ongoing operational and financial review, that if the decision were taken to add such capacity, it could be placed in service as early as 2009. Any

additions to hydro-electric generating capacity would require major capital expenditures through the in-service date.

As a result of Manitoba Hydro's generation and transmission activities, a number of communities have experienced adverse impacts. In an effort to provide fair compensation to these communities, Manitoba Hydro has been engaged in discussions to reach agreements in principle and settlement agreements. To date, Manitoba Hydro has committed $419 million for compensation and/or mitigation initiatives and has negotiated settlement agreements with four of the five communities covered by the 1977 Northern Flood Agreement ("NFA") and compensation/ mitigation agreements with numerous communities outside the NFA.

Manitoba Hydro is pursuing discussions with The Cross Lake First Nation, the fifth NFA community, in order to determine how best to implement the NFA. In addition, discussions are ongoing to reach concluding arrangements with the remaining communities not covered by the NFA.

MANITOBA INTEGRATED SYSTEM
EXISTING AND POTENTIAL GENERATING STATIONS

EXISTING GENERATING STATIONS

Generating Station	River	Winter Capability (in Megawatts)
Pine Falls	Winnipeg	88
Great Falls	Winnipeg	129
McArthur Falls	Winnipeg	54
Seven Sisters	Winnipeg	156
Slave Falls (Winnipeg Hydro)	Winnipeg	67
Pointe Du Bois (Winnipeg Hydro)	Winnipeg	66
Grand Rapids	Saskatchewan	480
Laurie River I and II	Laurie	11
Jenpeg	Nelson	95
Kelsey	Nelson	209
Kettle	Nelson	1,222
Long Spruce	Nelson	1,010
Limestone	Nelson	1,295
Total Hydraulic Capability		4,882
Brandon & Selkirk Thermal		233
Total System Capability		5,115

POTENTIAL HYDRAULIC SITES (1)

Conawapa	Nelson	1,230
Gillam Island	Nelson	820
Gull	Nelson	630
Whitemud	Nelson	310
Red Rock	Nelson	190
Wuskwatim	Burntwood	205
Manasan	Burntwood	195
First Rapids	Burntwood	225
Notigi	Burntwood	100
		3,905
Total		9,020

(1) Net capacity addition to the integrated system.

Export Power Sales

In 1984, the Provincial Government negotiated a contract with Northern States Power Company of Minneapolis, Minnesota for the export of 500 megawatts of firm power for a twelve-year period, which commenced in May 1993.

Manitoba Hydro signed 150 megawatt Seasonal Diversity Exchange Agreements, with both United Power Association and with Northern States Power Company. These Agreements both began in 1995 and will continue for approximately 20 years. A third Seasonal Diversity Exchange for 200 megawatts with Northern States Power began in 1996 and will continue to 2016. These Seasonal Diversity Exchange Agreements provide that power may be exported from Manitoba in the summer months and returned to Manitoba in the winter months.

Other long-term export power sales include:

- 200 megawatt sale to Ontario Power Generation Inc. (formerly a part of Ontario Hydro) 1998-2003
- 50 megawatt sale to Otter Tail Power 1997-2005

- 10-50 megawatt sale to Minkota Power Cooperative 1995-2001
- 50 megawatt sale to Otter Tail Power 2000-2010
- 30-60 megawatt sale to Minnesota Municipal Power Agency 2000-2012

In late 1996, Manitoba Hydro became a member of the Mid-Continent Area Power Pool ("MAPP") which provides access to a market of over 70 entities. Under the MAPP agreement, contracts have been entered into with utilities in Minnesota, North Dakota, Wisconsin and with United States marketers. Manitoba Hydro makes short-term power sales on an on-going basis to SaskPower, Ontario Power Generation Inc. and numerous utilities and marketers in the upper mid-west United States and in Canada.

In recent years, deregulation in the United States and increasing competition have substantially changed the market environment in which Manitoba Hydro operates. In response to these changes, the 1997 amendments to the *Manitoba Hydro Act* were enacted and Manitoba Hydro has, among other things, restructured itself into distinct business units, obtained full membership in MAPP and implemented an open access tariff for wholesale transactions. Manitoba Hydro is actively pursuing new business opportunities, and believes that its cost structure and geographic location position it to compete effectively in the new market environment.

CANADIAN FOREIGN EXCHANGE

Canada maintains a floating exchange rate. Average noon spot exchange rates for the major foreign currencies in which direct and guaranteed debt of the Province is denominated, expressed in Canadian dollars, are shown in the table below for 1995 through 1999.

Foreign Currency	Average Noon Spot Rates				
	1995	1996	1997	1998	1999
	(Canadian dollars per unit of foreign currency)				
United States Dollars (1)	$1.3726	$1.3636	$1.3844	$1.4831	$1.4858
Swiss Francs	1.1633	1.1051	0.9548	1.0258	0.9901
Japanese Yen	0.01470	0.01255	0.01145	0.01139	0.01311

(1) The high and low spot rates for the U.S. dollar expressed in Canadian dollars are as follows:

	1995	1996	1997	1998	1999
High	$1.4267	$1.3865	$1.4399	$1.5845	$1.5475
Low	1.3275	1.3287	1.3345	1.4040	1.4420

Source: Bank of Canada.

At March 31, 2000, the noon spot exchange rate for U.S. dollars as reported by Bank of Canada, expressed in Canadian dollars, was $1.4535.

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I. STATEMENT OF OPERATING FUND REVENUE

	Year Ending March 31,				
	1997	1998	1999	2000	Budget Estimate 2001
	(In thousands of dollars)				
Income Taxes					
Individual Income Tax	$1,411,929	$1,431,076	$1,807,157	$1,611,231	$1,685,800
Corporation Income Tax	241,233	192,703	215,228	306,819	333,000
Succession Duty and Gift Tax	40	40	40	40	40
	1,653,202	1,623,818	2,022,425	1,918,090	2,018,840
Other Corporation Taxes					
Corporation Capital Tax	108,691	118,688	120,167	134,544	140,000
Insurance Corporations Tax	35,727	36,079	38,836	39,683	40,640
Levy for Health and Education	208,593	216,194	224,122	225,255	228,000
	353,011	370,961	383,125	399,483	408,640
Unconditional Federal Transfers					
Equalization	1,086,931	1,164,320	912,382	1,271,747	1,171,100
Health and Higher Education Cash Transfer	—	—	—	130,595	92,200
Canada Health and Social Transfer	585,779	507,139	513,301	509,247	539,900
Government of Canada Subsidy	—	(3,178)	2,140	—	—
	1,672,710	1,668,282	1,427,823	1,911,589	1,803,200
Conditional Federal Transfers					
Shared-Cost Receipts	43,223	215,848	131,801	161,506	123,841
Sales Taxes					
Retail Sales Tax	768,731	830,142	883,563	917,667	950,700
Commercial Energy Consumption Tax	50,969	51,767	55,330	56,966	56,300
	819,700	881,909	938,894	974,633	1,007,000
Gasoline and Motive Fuel Taxes	218,587	218,085	224,384	218,433	224,000
Luxury Taxes					
Liquor Control Commission	149,175	149,432	151,710	156,304	159,000
Tobacco Tax	109,678	112,752	114,065	112,532	124,500
Pari Mutuel Tax	2,701	—	—	—	—
Lottery Revenue	211,097	220,265	225,130	225,043	220,000
	472,651	482,449	490,905	493,878	503,500
Natural Resource Revenue					
Oil and Minerals Taxes and Royalties	22,233	36,173	9,590	17,097	77,520
Water Power Rental Charges	56,923	55,708	48,298	48,725	46,500
Forestry	5,201	6,281	6,448	6,405	6,547
Fisheries and Wildlife	259	273	301	294	292
1997 Flood Proofing Program	—	—	229	148	1,723
Other	16,132	19,651	22,022	20,908	19,522
	100,748	118,088	86,887	93,576	152,105
Other Fees, Permits, Licenses and Taxes					
Motor Vehicles and Drivers' Licenses	65,561	69,946	70,438	69,712	71,366
Crown Corporations	—	697	3,200	4,090	6,125
Fines and Other Legal Fees	29,095	18,972	20,363	20,512	26,282
Land Transfer Tax	9,070	11,783	11,505	12,049	12,000
Other	40,868	51,986	61,299	48,329	46,394
	144,594	153,384	166,804	154,692	162,167

I. STATEMENT OF OPERATING FUND REVENUE (continued)

	Year Ending March 31,				
	1997	1998	1999	2000	Budget Estimate 2001
	(In thousands of dollars)				
Sale of Government Assets	$12,428	$518	$491	$3,291	$1,400
Conditional Transfers from Municipalities	8,162	8,609	8,495	8,630	9,611
Total Revenue Before Transfers from Fiscal Stabilization Fund	5,499,017	5,741,951	5,882,304	6,337,801	6,414,303
Transfer from Fiscal Stabilization Fund (net)	—	100,000	185,703	184,702	90,000
Total Revenue (1)	$5,499,017	$5,841,951	$6,067,737	$6,522,503	$6,504,303

(1) See notes to "Statement of Operating Fund Transactions" for details of comments made by the Provincial Auditor.

II. STATEMENT OF OPERATING FUND EXPENDITURE

	Year Ending March 31,				
	1997	1998	1999	2000	Budget Estimate 2001
	(In thousands of dollars)				
Health and Community Services					
Health	$1,880,353	$1,914,560	$2,057,954	$2,310,004	$2,435,547
Community Support Programs	5,974	6,143	6,250	6,295	6,296
Family Services	656,542	655,480	660,887	743,289	780,442
Healthy Child Initiative	—	—	—	—	12,866
Seniors Directorate (1)	529	518	668	918	—
Status of Women	863	845	872	1,124	1,137
Children & Youth Secretariat (1)	140	728	2,334	6,029	—
	2,544,401	2,578,273	2,728,965	3,067,659	3,236,288
Education					
Education and Training	999,455	1,045,776	1,120,510	1,187,354	1,252,351
Economic and Resource Development					
Agriculture	83,380	94,800	98,737	205,568	114,083
Housing (1)	65,602	48,571	39,718	—	—
Fitness and Sport	14,962	14,903	15,519	10,546	10,392
Energy and Mines (1)	16,384	13,020	17,802	—	—
Environment (1)	13,262	12,933	13,378	—	—
Sustainable Development Innovations Fund	2,310	—	—	—	—
Highways and Government Services	220,598	219,415	234,423	292,173	297,621
Industry, Trade and Mines	34,071	36,457	43,425	88,134	40,059
Conservation	87,701	105,117	131,965	140,695	152,017
Northern Affairs	17,414	16,801	18,283	20,687	23,216
Canada Manitoba Enabling Vote	—	39,415	23,784	21,289	50,833
Urban Economic Development Initiatives	15,952	16,259	16,659	14,459	—
	571,642	617,692	653,694	793,551	688,221
Intergovernmental Affairs	121,897	120,124	137,506	110,043	139,090
Debt Retirement Fund	—	75,000	150,000	75,000	96,000
Public Debt					
Net Cost of Servicing Total Direct Public Debt (Interest, foreign exchange etc. after deducting recoveries from Crown organizations and short-term investment Earnings)	539,137	520,120	514,838	465,322	474,475
Manitoba Tax Credit Programs	198,119	181,213	177,964	177,725	206,380
Allowance for Losses and Expenditures Incurred by Crown organizations	872	109	(129)	236	775

II. STATEMENT OF OPERATING FUND EXPENDITURE (continued)

	Year Ending March 31,				
	1997	1998	1999	2000	Budget Estimate 2001
	(In thousands of dollars)				
Consumer Services, Public Protection and Other Government Services					
Justice	$172,715	$177,887	$191,889	$211,666	$220,512
Culture, Heritage and Tourism	51,762	53,083	53,333	59,240	58,791
Civil Service	40,746	45,208	52,029	56,934	56,815
Consumer and Corporate Affairs	17,428	9,860	9,734	8,903	9,426
Executive Council	2,981	3,162	3,461	4,301	3,513
Finance	27,896	28,385	30,557	48,264	47,047
Government Services	46,459	47,642	58,918	—	—
Legislation	16,163	16,654	19,187	28,908	21,583
Labor	12,956	12,726	13,089	21,691	23,138
Flood Control and Emergency Expenditures	21,576	217,474	60,553	136,180	20,000
Millennium Fund	—	—	—	2,474	—
Capital Initiatives	—	—	—	50,874	—
Aboriginal Justice Initiatives	—	—	49,703	—	—
Canada-Manitoba Infrastructure Program	9,666	15,336	10,804	5,301	—
	420,348	627,417	553,257	634,736	460,825
Internal Reform, Workforce Adjustment and General Salary Increases	12,000	—	—	—	—
Total Expenditure (2)	$5,407,871	$5,765,723	$6,036,606	$6,511,626	$6,554,405
Capital	$315,971	$326,853	$412,721	$119,434	$202,585
Operating	5,091,900	5,438,870	5,623,885	6,392,192	6,351,820
Total Expenditure	$5,407,871	$5,765,723	$6,036,606	$6,511,626	$6,554,405

(1) Starting March 31, 2000, Seniors Directorate is part of Culture, Heritage and Tourism; Child and Youth Secretariat is part of Healthy Child Initiative; Housing is part of Family Services; Energy and Mines is part of Industry, Trade and Mines; and Environment is part of Conservation (formerly Natural Resources).

(2) See notes to "Statement of Operating Fund Transactions" for details of comments made by the Provincial Auditor.

III. SUMMARY FINANCIAL STATEMENTS — CONSOLIDATED STATEMENT OF REVENUE AND EXPENDITURE FOR THE YEAR ENDED MARCH 31, 2000 (with comparative figures for 1999)

	1999	2000
	(In millions of dollars)	
REVENUE		
Manitoba Collections:		
Retail Sales Tax	$883	$918
Fuel Taxes	225	218
Levy for health and education	224	225
Liquor Control Commission	152	156
Manitoba Lotteries Corporation	225	225
Other Taxes	348	370
Fees and other revenue	852	902
Income Taxes:		
Corporation income tax	215	307
Individual income tax	1,807	1,611
Federal transfers:		
Equalization	912	1,271
Canada Health and Social Transfer	513	509
Federal Health Supplement	—	131
Shared cost and other	276	298
TOTAL REVENUE	6,632	7,141
EXPENDITURE		
Health	2,122	2,354
Education and Training	1,635	1,685
Family Services and Housing	764	822
Community, Economic and Resource Development	968	1,129
Justice and Other Governments	753	757
Debt servicing	517	479
TOTAL EXPENDITURE	6,759	7,226
NET EXPENDITURE	(127)	(85)
INCREASE IN EQUITY IN GOVERNMENT ENTERPRISES (Schedules IV and V)	145	217
CONSOLIDATED NET INCOME	$18	$132

CONSOLIDATED STATEMENT OF ACCUMULATED DEFICIT
AS AT MARCH 31, 2000
(with comparative figures for 1999)

	1999	2000
	(millions of dollars)	
Balance, beginning of year (as previously reported)	$8,424	$8,503
Restatement (1)	—	40
Balance, beginning of year (as restated)	8,424	8,543
Changes in accounting policy (2)		
Tangible capital assets	—	(842)
Regional Health Authorities	—	(165)
Accrual of severance pay liability	105	—
Inventories	—	(15)
Equity in non-devolved health care facilities (3)(4)	—	(93)
Repurchase of serial debentures (5)	(8)	(6)
Consolidated net income for the year	(18)	(132)
Balance, end of year	$8,503	$7,290

(1) Restatement

The March 31, 2000 accumulated deficit opening balance has been increased by $40 million to reflect a restatement that resulted from unrecorded prior period Family Services and Housing costs of $30 million and unrecorded deferrals of $10 million. This restatement resulted in a corresponding $40 million increase in accounts payable and deferrals at March 31, 2000.

(2) Changes in Accounting Policy

Effective April 1, 1999, the government made accounting policy changes to introduce the capitalization of tangible capital assets and inventories held for resale. As a result, as at April 1, 1999, there was an increase in net tangible capital assets of $842 million and a $15 million increase for inventories held for resale with corresponding decreases in accumulated deficit of the same amounts.

Effective April 1, 1999, the government made an accounting policy change to include Regional Health Authorities (RHA's) in the government reporting entity. The net equity of the RHA's of $165 million resulted in a reduction in the opening accumulated deficit at April 1, 1999 of the same amount.

(3) Basis of Consolidation

Crown organizations are consolidated after adjusting their accounting policies to a basis consistent with the accounting policies of the government reporting entity. Inter-entity accounts and transactions are eliminated upon consolidation, except for retail sales tax and the levy for health and education. Where the fiscal year end dates of Crown organizations are not the same as that of the government reporting entity and their transactions significantly affect the financial statements, their financial results are updated to March 31.

Government enterprises, whose principal activity is carrying on a business, maintain their accounts in accordance with accounting principles which are generally accepted for business enterprises and which are considered appropriate to their individual objectives and circumstances. They derive the majority of their revenue from sources outside the government reporting entity. They are reported in these Summary Financial Statements using the modified equity method of accounting without adjusting their accounting policies to a basis consistent with that of the government reporting entity. The financial results of enterprises are not updated to March 31 where their fiscal year end is not the same as that of the government reporting entity. Inter-entity accounts and transactions with government enterprises are not eliminated, nor are normal operating inter-entity transactions disclosed separately. Supplementary financial information describing the financial position and results of operations of these enterprises is presented in Schedule IV.

All health care facilities are considered to be part of the government reporting entity. As at March 31, 2000, certain facilities that were previously owned and operated by health corporations have transferred their ownership and operating control to Regional Health Authorities (devolved) while 64 facilities have not devolved. As a result, the assets, liabilities and equity of non-devolved health care facilities have been disclosed on a combined basis.

(4) Equity in Non-Devolved Health Care Facilities

The government has adopted a policy of including the assets, liabilities and equity of health care facilities, which have not devolved their ownership to RHA's, in it's financial statements on a combined basis. This resulted in a reduction in the accumulated deficit of $93 million as at March 31, 2000. This equity amount includes net income of $28 million for 1999-2000.

(5) Serial Debentures of School Divisions and Districts

The accumulated deficit of the government reporting entity includes amounts related to serial debentures of school divisions and districts, acquired by the government in prior years. The government is primarily responsible for funding the redemption of these debentures; accordingly these amounts are not reflected as assets. As the funding for annual redemptions flow from the appropriations of the government to the school divisions and districts, and then back to the Province, the accumulated deficit of the government reporting entity is reduced by the amount of such redemptions.

IV. SUMMARY FINANCIAL STATEMENTS — GOVERNMENT ENTERPRISES (1)

SUMMARY OF CONSOLIDATED OPERATING RESULTS AND FINANCIAL POSITION FOR THE YEAR ENDED MARCH 31, 2000*
(with comparative figures for 1999)

	Utilities	Insurance	Finance	Resource Development	Total 2000	Total 1999
			(In millions of dollars)			
Results of Operations						
Revenues:						
From operations	$1,392	$797	$650	$1	$2,840	$2,521
Transfers from the government	—	—	—	—	—	—
Total revenues	1,392	797	650	1	2,840	2,521
Expenses:						
From operations	819	737	263	2	1,821	1,578
Transfers to the government	—	—	381	—	381	385
Debt servicing	421	—	—	—	421	413
Total expenses	1,240	737	644	2	2,623	2,376
Increase in equity in government enterprises	$152	$60	6	(1)	$217	$145

* For enterprises whose fiscal year is prior to March 31, the amounts reflected are as at their fiscal year end.

(1) Government enterprises consist of the following as at March 31, 2000:

Utilities:
The Manitoba Hydro-Electric Board

Insurance:
Manitoba Public Insurance Corporation
The Workers Compensation Board

Finance:
The Manitoba Liquor Control Commission
Manitoba Lotteries Corporation
The Manitoba Product Stewardship Corporation

Resource Development:
Leaf Rapids Town Properties Ltd.
The Manitoba Hazardous Waste Management Corporation

V. STATEMENT OF LOANS AND INVESTMENT TRANSACTIONS

	Year Ended March 31,				
	1996	1997	1998	1999	2000
	(In thousands of dollars)				
Loans and Investments					
The Manitoba Hydro-Electric Board ...	$293,100	$ —	$458,650	$650,392	$979,110
The Manitoba Telephone System (1) ..	24,000	22,000	—	—	—
The Manitoba Housing & Renewal Corporation	3,644	2,659	1,304	2,108	86
Government Information Systems Management Organization (Man) Inc.	—	—	13,356	85,466	47,147
Manitoba Development Corporation ...	19,089	25,779	23,871	16,151	15,697
The Manitoba Agricultural Credit Corporation	25,500	38,500	66,000	100,200	108,845
The Manitoba Water Services Board...	2,000	3,100	4,600	7,700	8,200
The Manitoba Crop Insurance Corporation	3,030	—	—	—	—
Other	24,596	26,360	24,350	18,581	12,763
	394,959	118,398	592,131	880,598	1,171,848
Repayment of Loans and Investments					
The Manitoba Hydro-Electric Board ...	20,138	841	28	280,000	157,976
The Manitoba Telephone System (1) ..	18,411	455,499	—	—	—
Manitoba Telecom Services Inc. (1) ...	—	66,425	121,327	95,891	117,841
The Manitoba Housing & Renewal Corporation	8,016	13,624	17,889	7,509	16,883
Government Information Systems Management Organization (Man) Inc.	—	—	4,139	—	—
Manitoba Development Corporation ...	8,385	9,626	15,124	14,358	8,853
The Manitoba Agricultural Credit Corporation	37,500	54,535	58,780	54,275	56,828
The Manitoba Water Services Board...	3,540	4,312	5,573	3,840	10,797
The Manitoba Crop Insurance Corporation	22,992	—	—	—	—
Municipalities and Schools	12,413	11,499	9,729	7,940	6,036
Other	30,373	59,884	37,233	14,623	15,150
	161,768	676,245	269,822	478,436	390,364
	233,191	(557,847)	322,309	402,162	781,484
Net Change in Crown Organization Sinking Funds Applicable to Provincial Debt.....	(65,643)	(86,093)	(239,062)	(114,511)	(180,080)
Net Change in Loans and Investments ...	$167,548	$(643,940)	$83,247	$287,651	$601,404

(1) Effective January 7, 1997, The Manitoba Telephone System ("MTS") was privatized and became Manitoba Telecom Services Inc. The outstanding debt of MTS to the Province in the amount of $427 million was assumed by Manitoba Telecom Services Inc. and has been repaid to the Province.

VI. SUMMARY STATEMENT OF BORROWING REQUIREMENTS AND FINANCING SOURCES FOR MAJOR CROWN ORGANIZATIONS AND GOVERNMENT ENTERPRISES

	Year Ended March 31,				
	1996	1997	1998	1999	2000
	(In thousands of dollars)				
Borrowing Requirements					
The Manitoba Hydro-Electric Board	$146,114	$263,209	$336,862	$127,692	$719,359
The Manitoba Telephone System (1)	5,589	(455,499)	—	—	—
Government Information Systems Management Organization (Man) Inc.	—	—	9,217	85,466	47,147
Manitoba Development Corporation	10,704	16,153	8,747	1,794	6,678
The Manitoba Agricultural Credit Corporation	(12,000)	(16,035)	7,220	45,925	52,017
The Manitoba Housing and Renewal Corporation	(8,869)	(15,385)	(19,356)	(8,545)	(20,047)
The Manitoba Water Services Board	(1,540)	(1,212)	(973)	3,860	(2,597)
Leaf Rapids Town Properties Ltd.	(113)	—	—	—	—
The Manitoba Crop Insurance Corporation	(19,962)	—	—	—	—
Other	(2,515)	12,996	13,700	5,752	(2,884)
	$117,408	$(195,773)	$355,417	$261,944	$799,673
Financing Sources Provincial Advances	$266,359	$(433,293)	$480,117	$507,914	$901,694
Provincial Equity	(17,493)	—	(51)	—	—
Debt Guaranteed by the Province	(133,348)	241,940	(124,846)	(248,977)	(289,210)
Non-Guaranteed Debt	1,890	(4,420)	197	3,007	187,189
	$117,408	$(195,773)	$355,417	$261,944	$799,673

(1) Effective January 7, 1997, The Manitoba Telephone System was privatized and became Manitoba Telecom Services Inc.

VII. STATEMENT OF DIRECT FUNDED DEBT OF THE PROVINCE

AS AT MARCH 31, 2000

Series	Date of Maturity	Year of Issue	Interest Rate (%)	Amount Outstanding (In thousands of dollars)	Ref.
Debenture Loans					
(A) Payable in Canadian Dollars:					
CF	15-Aug-00	1990	11.00	$245,843	(1)
DS	14-Sep-00	1995	7.75	250,000	(1)
CH	17-Oct-00	1990	11.25	297,499	(1)
DZ	04-Sep-01	1996	6.50	250,000	(1)
BJ	03-Sep-02	1987/8	9.75	374,006	(1)
DA	07-Apr-03	1993	7.875	300,000	(1)
EH	14-Jan-03	1999	5.000	100,000	(1)
EK	15-Jul-04	1999	5.650	300,000	(1)
DR	15-Nov-04	1994	9.375	500,000	(1)
DX	05-Jun-06	1996	7.750	250,000	(1)
EI	03-Mar-06	1999	5.250	150,000	(1)
EJ	01-Dec-06	1999	5.100	250,000	(1)
EC	16-May-07	1997	6.625	300,000	(1)
EB	21-May-07	1997	7.000	125,000	(1)
ED	02-Jun-08	1997	5.750	300,000	(1)
ED-2	02-Jun-08	1997	5.750	284,060	(1)
ED-3	02-Jun-08	1998	5.750	92,686	(1)
EG	02-Mar-09	1998	5.250	350,000	(1)
	02-Mar-09	1999	5.250	150,000	(1)
EL	01-Sep-09	1999	6.250	125,000	(1)
	01-Sep-09	1999	6.250	125,000	(1)
CM	15-May-11	1991	10.000	199,922	(1)(6)
	15-May-11	1991	10.00	100,000	(1)(6)
DE	22-Jul-13	1993	8.50	300,000	(1)
DT	22-Dec-25	1995	7.75	300,000	(1)
CL	05-Mar-31	1991	10.50	599,945	(1)
				6,618,961	
Medium-Term Notes					
C009-MTN	25-Sep-12	1997	STEP	25,000	(5)
C014-MTN	25-Feb-10	1998	STEP	25,000	(5)
C013-MTN	18-Dec-02	1997	5.39	77,000	(1)(3)
C029-MTN	17-Jan-03	2000	FLOATING	220,000	(1)
C030-MTN	14-Feb-03	2000	FLOATING	75,450	(1)
C017-MTN	02-Jun-03	1998	5.000	50,000	(1)
C010-MTN	18-Sep-03	1997	5.50	25,000	(1)
C007-MTN	02-Apr-07	1997	STEP	25,000	(4)
C025-MTN	12-Mar-07	1999	FLOATING	20,000	(1)
C008-MTN	24-Apr-07	1997	FLOATING	9,000	(1)
C015-MTN	11-Mar-08	1998	STEP	25,000	(4)
C019-MTN	31-Mar-08	1998	5.900	12,000	(4)
C020-MTN	31-Mar-08	1998	5.705	10,000	(4)
C021-MTN	02-Apr-08	1998	6.020	50,000	(4)
C004-MTN	12-Sep-08	1997	6.78	25,000	(4)
C028-MTN	27-Apr-09	1999	5.55	20,000	(4)
C016-MTN	02-Mar-10	1998	6.20	25,000	(4)
C018-MTN	31-Mar-10	1998	6.20	15,000	(4)
C027-MTN	19-Apr-10	1999	STEP	15,000	(5)
C022-MTN	15-Jul-10	1998	5.50	40,000	(1)
C026-MTN	23-Mar-11	1999	5.94	15,000	(4)
C006-MTN	14-Mar-12	1997	7.23	25,000	(4)

VII. STATEMENT OF DIRECT FUNDED DEBT OF THE PROVINCE — *(continued)*

Series	Date of Maturity	Year of Issue	Interest Rate (%)	Amount Outstanding (In thousands of dollars)	Ref.
C011-MTN	22-Sep-17	1997	6.50	100,000	(1)
C011-2 MTN	22-Sep-17	1997	6.50	55,454	(1)
C011-3 MTN	22-Sep-17	1997	6.50	125,000	(1)
C012-MTN	22-Sep-17	1997	6.50	50,000	(1)
C012-MTN	22-Sep-17	1997	6.50	50,000	(1)
C024-MTN	20-Aug-18	1998	6.75	20,000	(4)
C023-1MTN	15-Nov-18	1998	5.50	75,000	(4)
C023-2MTN	15-Nov-18	1998	5.50	25,000	(1)
D005-MTN	15-Jul-03	1998	4.750	100,000	(1)
		1999	4.750	50,000	(1)
D006-MTN	15-Dec-03	1998	STEP	20,000	(5)
D016-MTN	15-Sep-04	1999	STEP	21,000	(5)
D012-MTN	15-Sep-04	1999	STEP	15,000	(5)
D014-MTN	15-Nov-04	1999	5.10	25,000	(13)
D019-MTN	15-Jul-05	1999	5.80	17,500	(5)
D022-MTN	15-Jan-05	1999	STEP	40,000	(5)
D023-MTN	15-Mar-05	1999	STEP	15,000	(5)
D024-MTN	15-Jan-06	1999	STEP	30,000	(5)
D018-MTN	15-Mar-07	1999	FLOATING	11,000	(1)
D008-MTN	15-Sep-08	1998	FLOATING	25,000	(5)
D015-MTN	15-Mar-09	1999	STEP	15,000	(5)
D013-MTN	15-Nov-09	1999	5.10	25,000	(4)
D010-MTN	15-Jan-09	1998	5.50	10,000	(5)
D017-MTN	15-Mar-10	1999	STEP	15,000	(4)
D021-MTN	30-Mar-10	1999	STEP	14,650	(5)
D001-MTN	15-Jul-10	1999	6.00	30,000	(5)
D002-MTN	15-Jul-10	1998	6.10	20,000	(4)
D007-MTN	15-Sep-10	1998	STEP	20,000	(5)
D004-MTN	15-Oct-10	1998	5.75	10,000	(4)
D011-MTN	15-Mar-11	1999	5.75	20,000	(4)
D020-MTN	15-Sep-11	1999	STEP	25,000	(4)
D003-MTN	01-Jun-18	1998	6.40	28,668	(5)
D009-MTN	15-Jan-19	1999	5.76	17,000	(5)
				1,948,722	
Canadian Issues Swapped to USD:					
C013	18-Dec-02	1997	5.39	77,000	
				(77,000)	
Foreign Issues Swapped to Canadian Dollars:					
CE	17-Jul-00	1990	6.480	166,340	
CG	15-Aug-00	1991	6.800	5,258	
CK	15-Dec-00	1990	8.140	337,500	
DO	28-Sep-01	1994	FLOATING	40,807	
CZ	01-Mar-03	1993	8.700	129,674	
	01-Mar-03	1993	6.750	266,000	
DB	14-Apr-03	1993	8.250	81,947	
DF	28-Nov-03	1993	FLOATING	36,600	
DI	08-Mar-04	1994	5.050	86,226	
DK	28-Jun-04	1994	FLOATING	79,519	
DN	19-Jul-04	1994	4.932	64,904	
U002	23-Feb-05	1995	7.1875	35,277	
DW	14-Jun-06	1996	7.888	65,164	
EF	01-Oct-08	1998	8.480	72,019	

VII. STATEMENT OF DIRECT FUNDED DEBT OF THE PROVINCE — (continued)

Series	Date of Maturity	Year of Issue	Interest Rate (%)	Amount Outstanding (In thousands of dollars)		Ref.
EM	22-Feb-10	2000	FLOATING	291,500		
AZ	17-Jul-16	1986	FLOATING	200,630		
BM	15-Jan-18	1988	FLOATING	254,960		
BU	01-Dec-18	1988	9.825	136,375		
CD	01-Apr-20	1990	9.250	337,890		
CN	15-May-01	1991	6.75	146,190		
CI	17-Oct-00	1991	9.15	3,133		
				2,837,913	$11,328,596	
(B) Payable in U.S. Dollars:						
CG	15-Aug-00	1991	8.80	5,227		(1)(2)
CJ	01-Oct-00	1990	9.50	508,725		(1)
CI	17-Oct-00	1991	9.15	3,140		(1)
CK	15-Dec-00	1990	9.00	363,375		(1)
CN	15-May-01	1991	8.75	436,050		(1)
CP	01-Feb-02	1992	7.75	726,750		(1)
CQ	15-Apr-02	1992	8.00	436,050		(1)
CT	15-Sep-02	1992	6.875	436,050		(1)
CZ	01-Mar-03	1993	6.75	436,050		(1)(2)
DH	19-Jan-04	1994	6.125	508,725		(1)
EF	01-Oct-08	1998	5.500	363,375		(1)(2)
EM	22-Feb-10	2000	7.50	218,025		(1)(2)
	22-Feb-10	2000	7.50	218,025		(1)(2)
	22-Feb-10	2000	7.50	290,700		(1)(2)
AZ	17-Jul-16	1986	7.75	217,138		(1)(2)
BM	15-Jan-18	1988	9.125	290,700		(1)(2)
EE	15-Sep-18	1988	9.50	290,700		(1)
BU	01-Dec-18	1988	9.625	436,050		(1)
CB	15-Jan-20	1990	8.80	363,375		(1)
CD	01-Apr-20	1990	9.25	436,050		(1)
CO	15-Sep-21	1991	8.875	436,050		(1)
				7,420,330		
Medium-Term Notes (Payable in U.S. Dollars)						
U002	23-Feb-05	1995	7.47	36,338		(1)(2)
D021	30-Mar-10	1999	STEP	14,535		(5)(2)
				50,873		
U.S. Issues swapped to Canadian Dollars:						
CK	15-Dec-00	1990	9.000	363,375		
CG	15-Aug-00	1991	8.800	5,227		
CZ	01-Mar-03	1993	6.750	436,050		
U002	23-Feb-05	1995	7.470	36,338		
EF	01-Oct-08	1998	5.500	72,675		
EM	22-Feb-10	2000	Libor+9.74	290,700		
D021	30-Mar-10	1999	STEP	14,535		
AZ	17-Jul-16	1986	7.750	217,138		
BM	15-Jan-18	1988	9.125	290,700		
BU	01-Dec-18	1988	9.625	145,350		
CD	01-Apr-20	1990	9.250	363,375		
CN	15-May-01	1991	8.75	145,350		
CI	17-Oct-00	1991	9.15	3,140		
				(2,383,952)		

VII. STATEMENT OF DIRECT FUNDED DEBT OF THE PROVINCE — (continued)

Series	Date of Maturity	Year of Issue	Interest Rate (%)	Amount Outstanding (In thousands of dollars)		Ref.
Foreign Issues swapped to U.S. Dollars:						
CW	18-Nov-02	1992	FLOATING	119,453		
C013	18-Dec-02	1997	FLOATING	78,634		
DB	14-Apr-03	1993	6.20	83,940		
DC	22-Apr-03	1993	FLOATING	143,369		
DD	27-May-03	1993	FLOATING	78,489		
DM	03-Aug-04	1994	FLOATING	70,131		
				574,016	5,661,266	
(C) Payable in Swiss Francs:						
CE	17-Jul-00	1990	7.25	174,420		(1)(2)
DC	22-Apr-03	1993	5.25	130,815		(1)(3)
				305,235		
Swapped to Canadian Dollars:						
CE	17-Jul-00	1990	7.25	174,420		
				(174,420)		
Swapped to U.S. Dollars:						
DC	22-Apr-03	1993	5.25	130,815		
				(130,815)	0	
(D) Payable in Japanese Yen:						
DO	28-Sep-01	1994	4.75	42,480		(1)(2)
CW	18-Nov-02	1992	5.50	141,600		(1)(3)
DB	14-Apr-03	1993	4.92	191,160		(1)(2)(3)
DD	27-May-03	1993	5.10	84,960		(1)(3)
DF	28-Nov-03	1993	4.10	42,480		(1)(2)
DI	08-Mar-04	1994	4.03	99,120		(1)(2)
DK	28-Jun-04	1994	4.20	84,960		(1)(2)
DN	19-Jul-04	1994	4.70	70,800		(1)(2)
DM	03-Aug-04	1994	4.50	70,800		(1)(3)
DW	14-Jun-04	1996	3.45	70,800		(1)(2)
				899,160		
Japanese Yen Issues swapped to Canadian Dollars:						
DO	28-Sep-01	1994	4.75	42,480		
DK	28-Jun-04	1994	4.20	84,960		
DN	19-Jul-04	1994	4.70	70,800		
DB	14-Apr-03	1993	4.92	95,580		
DF	28-Nov-03	1993	4.10	42,480		
DI	08-Mar-04	1994	4.03	99,120		
DW	14-Jun-04	1996	3.46	70,800		
				(506,220)		
Japanese Yen Issues swapped to U.S. Dollars:						
CW	18-Nov-02	1992	5.50	141,600		
DB	14-Apr-03	1993	4.92	95,580		
DD	27-May-03	1993	5.10	84,960		
DM	03-Aug-04	1994	4.50	70,800		
				(392,940)	0	

VII. STATEMENT OF DIRECT FUNDED DEBT OF THE PROVINCE — (continued)

Series	Date of Maturity	Year of Issue	Interest Rate (%)	Amount Outstanding (In thousands of dollars)		Ref.
Builder Bonds (Payable in Canadian Dollars)						
#3	15-Jun-00	1995	FLOATING	228,972		(10)(14)
#4	15-Jun-03	1998	FLOATING	32,818		(10)
	15-Jun-01	1998	FIXED	81,553		(1)
	15-Jun-03	1998	DISCOUNT	14,623		(1)
#5	15-Jun-04	1999	FLOATING	19,181		
	15-Jun-02	1999	FIXED	193,809		
	15-Jun-04	1999	DISCOUNT	30,377	601,333	
Canada Pension Plan (Payable in Canadian Dollars)						
	Var. 1998-12	1979-92	8.21-17.51		1,506,431	(12)
Province of Manitoba Promissory Notes					207,000	
Treasury Bills Payable in Canadian Dollars:						
	Various	1999-2000			325,000	(11)
	TOTAL BORROWINGS				$19,629,626	

VIII. STATEMENT OF SECURITIES GUARANTEED BY THE PROVINCE

AS AT MARCH 31, 2000

Series	Date of Maturity	Year of Issued	Interest Rate (%)	Amount Outstanding (In thousands of dollars)		Ref.
DEBT OF SELF-SUPPORTING UTILITIES:						
The Manitoba Hydro-Electric Board						
Savings Bonds: (Payable in Canadian Dollars)						
1	15-Jun-92	1989	Matured	$94		
2	15-Jun-93	1990	Matured	145		
3	15-Jun-96	1991	Matured	377		
4	15-Jun-97	1992	Matured	850		
5	15-Jun-01	1996	Floater	140,067		(7)(10)
6	15-Jun-02	1997	Floater	15,186		(10)
	15-Jun-00	1997	5.25	156,103		
	15-Jun-02	1997	6.05	99,045	411,867	
Manitoba Hydro Promissory Notes						
		USD	Floating	0		
		CAD	Floating	0	0	
Total Self-Supporting Guaranteed Debt						
Debt of Institutions on which the debt servicing costs including principal repayments are paid in whole or in part from the Consolidated Fund:						
The University of Manitoba						
Debenture Loans Payable in Canadian Dollars:						
IR	15-Apr-01	1971	7.50		305	(9)
Grow Bonds					9,047	(8)
Total Securities Guaranteed					$421,219	

References:

1. Non-callable.
2. All or part swapped into a Canadian dollars.
3. All or part swapped to U.S. dollars.
4. Callable as per terms.
5. Extendable as per terms
6. Retractable at holder's option on May 15, 2001.
7. Interest is 5.0% minimum.
8. The Province has only guaranteed the principal portion of the issue.
9. Serial issue — various annual or semi-annual maturities.
10. Redeemable at holder's option on each June 15 and December 15 prior to maturity.
11. 91-day Treasury Bills issued to the public in the amount of $25,000,000 weekly.
12. Held by and callable at par at the option of the Minister of Finance of Canada on 6 months' notice, subject to the requirements of the Canada Pension Plan.
13. Exchangeable on Nov. 10, 2000 for an equal amount of 5.10% 11/09 bonds (D013)
14. Interest is 5.5% minimum.

IX. MANITOBA HYDRO

STATEMENT OF OPERATIONS

	For the Year Ended March 31,				
	1996	1997	1998	1999	2000
	(In thousands of dollars)				
Revenues					
Electric					
Manitoba	$735,096	$749,769	$738,698	$748,277	$737,230
Extra-provincial	245,413	267,655	296,958	326,200	376,570
Other revenue	4,071	5,161	5,420	7,153	9,538
Natural Gas	—	—	—	—	268,707
	984,580	1,022,585	1,041,076	1,081,630	1,392,045
Expenses					
Operating and administrative	221,979	223,045	211,458	222,846	268,175
Depreciation	168,501	177,420	191,002	197,969	227,165
Water rentals	47,147	51,291	55,789	50,518	50,681
Fuel and power purchased	14,155	12,793	14,149	58,813	33,221
Capital and other taxes	35,861	36,678	37,661	38,543	57,612
Cost of gas sold	—	—	—	—	182,043
	487,643	501,227	510,059	568,689	818,897
Net Income before Finance Expense	496,937	521,358	531,017	512,941	573,148
Finance Expense					
Interest on debt	474,540	498,705	505,498	506,278	514,168
Amortization of debt discount and Expense	16,478	14,353	14,812	10,768	10,350
Interest applied to construction	(13,383)	(15,890)	(19,508)	(19,704)	(17,279)
Investment income	(50,788)	(76,817)	(80,296)	(84,505)	(85,938)
	426,847	420,351	420,506	412,837	421,300
Net Income Transferred to Retained Earnings	$70,090	$101,007	$110,511	$100,104	$151,847

X. MANITOBA HYDRO

BALANCE SHEET

	As at March 31,	
	1999	2000
	(In thousands of dollars)	
ASSETS		
Capital Assets		
In service	$7,814,953	$8,437,620
Less accumulated depreciation	2,216,759	2,390,502
	5,598,194	6,047,118
Construction in progress	175,713	187,517
	5,773,907	6,234,635
Current Assets		
Bank balances and temporary investments	57,476	15,427
Accounts receivable and accrued revenue	164,683	230,932
Interest receivable	13,663	20,417
Materials and supplies, at average cost	63,388	77,026
	299,210	343,802
Other Assets		
Pension assets	369,020	425,213
Deferred debt costs	129,862	121,227
Other deferred expenses and receivables	182,933	285,349
Sinking fund investments	1,110,718	1,282,123
	1,792,533	2,113,912
	$7,865,650	$8,692,349
LIABILITIES AND RETAINED EARNINGS		
Long-term debt net of sinking fund	$4,772,262	$5,329,071
Sinking fund shown as an asset	1,110,718	1,282,123
	$5,882,980	$6,611,194
Current Liabilities		
Accounts payable and accrued liabilities	106,109	160,120
Notes payable	240,641	—
Accrued Interest	99,814	106,030
Current portion of long-term debt	—	158,623
	446,564	424,773
Other Liabilities		
Deferred liabilities and credits	233,778	205,046
Pension obligation	369,020	358,647
	602,798	563,693
Contributions in aid of construction	267,366	274,860
Retained earnings	665,942	817,829
	$7,865,650	$8,692,349

XI. MANITOBA HYDRO

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

	1999	2000
Cash Provided From (Used For) Operations		
Cash receipts from customers	$1,079,419	$1,352,510
Cash paid to suppliers and employees	(328,585)	(567,165)
Interest Paid	(471,254)	(490,208)
Interest Received	86,292	78,767
	365,872	373,904
Cash Provided From (Used For) Financing		
Proceeds from long-term debt	315,095	943,546
Retirement of long-term debt	(35,482)	(218,387)
Mitigation liability	(18,533)	(47,658)
Notes Payable	(196,524)	(237,638)
	64,556	439,863
Cash Used For Investment		
Additions to capital assets net of contributions	331,605	329,451
Acquisition of subsidiaries	—	242,228
Taxes paid on acquisition of subsidiaries	—	58,249
Sinking fund payment	129,974	177,900
Pension assets	28,918	7,387
Deferred assets	15,944	40,601
	506,441	855,816
Decrease in Cash	76,013	42,049
Cash at Beginning of Year	133,489	57,476
Cash at End of Year	$57,476	$15,427